WOMEN'S BUSINESS ISSUES

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HOUSE OF REPRESENTATIVES

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WOMEN'S BUSINESS ISSUES

THURSDAY, APRIL 18, 1991

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to notice, at 9:35 a.m., in room 2359–A, Rayburn House Office Building, Hon. John J. LaFalce, (chairman of the committee) presiding.

Chairman LAFALCE. The Small Business Committee will come to order.

Three years ago this month, the Committee on Small Business held a series of hearings entitled "New Economic Realities: The Role of Women Entrepreneurs." Over the course of 6 days, the committee heard from over two dozen witnesses and received over 700 pages of written testimony, statements, and recommendations on the role of women entrepreneurs, barriers impeding the growth of their businesses, and the effectiveness of existing programs designed to help them.

To address the problems that had been raised during the hearings, in July 1988, I introduced the Women's Business Ownership Act, H.R. 5050. This bill moved through the Congress with strong bipartisan support and was signed into law on October 25, 1988.

I did not view passage of H.R. 5050, the Women's Business Ownership Act, as the end of either my commitment or the Small Business Committee's commitment to assist women entrepreneurs. In the intervening years, I have worked and met with many of you here regarding the progress and effectiveness of programs and provisions mandated by the act. We have worked with Dr. Martha Seger in her capacity as a Governor of the Federal Reserve to amend the Equal Credit Opportunity Act to extend several of its key protections to commercial and business credit and, thereby, move toward eliminating discrimination in lending.

I have met with members of the National Women's Business Council to keep myself informed of their activities. In fact, I will be testifying at an upcoming hearing they will be having later this year.

While I have kept abreast of developments issuing from the act, the purpose of today's hearing is to give us the opportunity to learn more formally what has been happening in three areas of the Women's Business Ownership Act and to take action accordingly.

We will hear testimony on the effectiveness of the demonstration projects and the small-loan program, two programs established by the Women's Business Ownership Act, which have to be reauthorized if they are to continue. Both the demonstration projects and

the small-loan program were intended to meet particular needs of women entrepreneurs, although, of course, the small-loan program extends above and beyond women entrepreneurs.

A dearth of quality management training and technical assistance prompted the initiation of the demonstration projects and disinterest on the part of banks to make small loans led to the mini-loan program with its incentive for lenders of reduced paperwork and a lowered SBA guarantee fee.

My sense is that these programs largely fulfill their objectives, but, as in any new undertaking, I expect that we will hear recommendations for modifications, and we look forward to those recommendations.

We will also hear members of the National Women's Business Council, also created by the act, present their findings and recommendations on the status of women-owned businesses and how to promote and assist such enterprises. The Council is required by law to report annually to the President and the Congress.

I look forward to hearing that testimony to see what the Council recommends to expedite our common goal of full participation by women in the economic mainstream.

I think we should bear in mind as we listen today that, despite the barriers often faced by women entrepreneurs, the Bureau of the Census reports that as of 1987, one-third of American small businesses are owned by women. Imagine what the statistics would be if women's talents, skills, zeal, and creativity were rewarded with access and equality, rather than hampered by subtle prejudice and discrimination.

I am pleased to begin the hearing with the testimony of the Honorable Patricia Saiki. Ms. Saiki, who was just recently confirmed as Administrator of the U.S. Small Business Administration, is making her first appearance on Capitol Hill in that capacity, but, of course, I know Pat from the 4 years that we served together in the House of Representatives and, most especially, on the Banking Committee, and indeed, last year, 1990, as I chaired a special House task force on International Competitiveness in U.S. Financial Institutions. Pat was one of the stellar members of the task force.

I know that all of us on the committee are happy to be working with you again, Pat.

I would also point out that, by the law that we passed, you are the young kid on the block. You are the newest member of the National Women's Business Council, as the SBA Administrator is a statutory member of that body.

The remainder of our distinguished panel includes Ms. Hedy Ratner, the codirector of the Women's Business Development Center in Chicago, an organization that has been operating demonstration project sites in Illinois and Indiana.

I don't see her yet, but we also expect Dr. Martha Seger, a former member of the Board of Governors of the Federal Reserve System and a former member of the Women's Business Council; Ms. Marilu Meyer, the vice chair of the Council and the president and owner of Castle Construction Corp. in Chicago; and Ms. Gillian Rudd, who, unfortunately, has just recently resigned from the Council because the position that she also holds with a separate

foundation was deemed to be a possible conflict of interest. I regret that very much because her services have been so valuable, not only to the Business Council, but to me personally, as the chief mover and catalyst in 1988 of both my hearings and the law that we passed.

We are going to be calling upon her in her private capacity in the future, as opposed to her official capacity as a member of the Women's Business Council.

I know that the ranking minority member, Mr. Ireland, is as concerned about the potential of the women's business community as I am, and equally as interested, and he has some comments he would like to make.

Mr. IRELAND. Thank you, Mr. Chairman, and thank you for holding this hearing and for the work that you have done in this area. Your willingness to keep our eyes focused on the important issues affecting women-owned small businesses is appreciated. Thanks to our witnesses for being here today and for volunteering their valuable time and efforts on behalf of the National Women's Business Council.

Let me also offer my compliments to the fine report filed by the Council, and I ask that the report itself, if you would, Mr. Chairman, be included in the record so that the entire Congress can benefit from it, word by word.

[The report may be found in the appendix.]

Mr. IRELAND. As part of this prelude, I would offer my special welcome, as well, to our new Administrator, Ms. Patricia Saiki, for what I believe, as you said, is her first hearing. We are delighted to have you.

It is no secret that there are significant barriers for women in business ownership, and the Nation and the Congress have a responsibility to take steps to break down those barriers. These hearings on the Women's Business Ownership Act give us an opportunity to examine the barriers faced by women entrepreneurs and also to measure our progress in breaking through those barriers so that women have an equal opportunity to succeed, not a guarantee of success, but a clean shot at success.

Right now, it often seems that women entrepreneurs must run the high hurdles against their competition in the 50-yard dash, and, as a long-time student, sometimes reluctant student, I strongly suspect that we are about to hear more evidence that too often our Federal bureaucracy is part of the problem, rather than part of the solution.

I think that in all of our deliberations, we must remember the Congress is about to consider a host of bills that play havoc on new and existing small enterprises. Even after we leave here today, we need to keep asking some key questions. What barriers to opportunity is Congress putting up today? What barriers will Congress toss in the road tomorrow? Most important, what are we doing to keep the path relatively clear of debris so that small business owners can get back to creating more jobs, inventing better products, and providing more innovative services than any country in the world?

Mr. Chairman, having read the Council's second report to the Congress, I know we will hear some sound, practical answers to these questions. But let's also take this opportunity to look down

the lane a few miles so that we can keep the barriers from going up in the first place, so we can be proactive instead of reactive.

Again, Mr. Chairman, I thank you for holding these timely hearings and thanks to our witnesses. I look forward to the proceedings, and I would ask that two other members, Mr. Broomfield and Mr. Ramstad, have their statements put into the record.

Chairman LAFALCE. Without objection, so ordered.

[Mr. Ireland's, Mr. Broomfield's and Mr. Ramstad's statement may be found in the appendix.]

Chairman LAFALCE. Are there any other Members who have any opening statements they wish to make?

Mr. Torres.

Mr. TORRES. Thank you, Mr. Chairman. In the interest of time, I will ask unanimous consent to enter my full statement into the record and just take this few minutes to welcome our first witness here, Administrator Saiki, a good friend of ours on the Banking Committee, as you stated. I congratulate her for being here with us today, and I yield back my time.

[Mr. Torres' statement may be found in the appendix.]

Chairman LAFALCE. Mrs. Meyers.

Mrs. MEYERS. Thank you, Mr. Chairman.

I am pleased that you have called this hearing today to examine the status of women-owned businesses in this country, both in terms of how far we have come, and how far we have to go, in opening all doors of opportunity for women.

As the report of the National Women's Business Council illustrates, over 30 percent of all small businesses are currently owned by women, and women will own 50 percent of all small businesses in the 21st century. Women are taking the plunge and starting up their own businesses at a rate twice as fast as men. I don't think that means that men are going to be overwhelmed, but in the past there have been few women who owned their own businesses, and I am delighted to see that is changing.

Access to credit remains a problem for many women entrepreneurs, and this problem has no doubt been heightened by the credit crunch. The Federal procurement process is still problematic for women-owned businesses, particularly the certification procedures, and resources for technical assistance to women owned and controlled businesses should be further developed.

Mr. Chairman, I know that each and every member of this committee is concerned about the problems that confront women-owned businesses, but, as the only woman member of the Small Business Committee, let me thank you once again for holding this hearing today.

I am looking forward to hearing from our panel, and I would like to take this opportunity to extend a very special welcome to my friend, Pat Saiki, in her first appearance before this committee as the new Administrator of the U.S. Small Business Administration. Whatever problems there are, I know that Pat is going to have them solved in 6 months. Thank you very much.

[Mrs. Meyers' statement may be found in the appendix.]

[Laughter.]

Chairman LAFALCE. I was told 6 weeks.

[Laughter.]

Chairman LAFALCE. Mr. Skelton.

Mr. SKELTON. Obviously, Mr. Chairman, we expect a lot of our new Administrator. I just wish to welcome you to our committee and congratulate you on your position.

Truly, this will be a strong and successful relationship between you, your leadership team, and us. We wish you well.

Chairman LAFALCE. Mr. Slaughter.

Mr. SLAUGHTER. Mr. Chairman, I would like to join you and other members in welcoming our former colleague, Pat Saiki. Pat, I was very pleased to hear of your confirmation as SBA Administrator and look forward to working with you during the 102d Congress.

Women-owned businesses represent a vital sector of the American economy. Over 30 percent of the U.S. companies are women-owned firms. The rise of women entrepreneurs has transformed our economy, and we should make every effort to eliminate the barriers to their continued success.

Mr. Chairman, I thank you for your attention in this important matter, and I look forward to hearing from our distinguished witness.

Chairman LAFALCE. Thank you. Do any other members have any statements?

Mr. Dooley.

Mr. DOOLEY. No, Mr. Chairman.

Chairman LAFALCE. Mr. Camp.

Mr. CAMP. No, Mr. Chairman.

Chairman LAFALCE. Thank you.

Will the new Administrator please step forward?

Pat, we are delighted to have you. We are delighted to have your fine assistants, Ms. Marschall and Ms. Johnson, also, and I just want to say that I think it is—what is the word—a harbinger of things to come that your first testimony will be on women in business.

TESTIMONY OF HON. PATRICIA SAIKI, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY CATHERINE MARSCHALL, ASSOCIATE DEPUTY ADMINISTRATOR FOR SPECIAL PROGRAMS, AND LINDSEY JOHNSON, DIRECTOR, OFFICE OF WOMEN'S BUSINESS OWNERSHIP

Ms. SAIKI. Thank you. It is great to be here with all of you. Let me tell you it feels a little different and a lot more challenging in many ways to be on this side of the table.

I did specifically accept this invitation, Mr. Chairman, because of the subject, but also because I wanted my first appearance here on Capitol Hill to be before my former colleagues in the House of Representatives. So, this is a special occasion for me, and I look forward to many more of these special occasions where we can, together, work to promote small business in our entire Nation.

I have with me Catherine Marschall—I think you have all met Catherine—the Associate Deputy Administrator for Special Programs, and Lindsey Johnson, who is the Director of the Office of Women's Business Ownership, and, of course, you all know Mike Forbes, who is the congressional liaison who is sitting back here.

The reason I brought them along is because, basically, I have been officially in this position for a week and 2 days.

Chairman LAFALCE. Having said that, Pat, I want to apologize very much for not being able to make the Wednesday swearing-in, but the 914th Tactical Air Group from Niagara Falls was returning after 6 months, and I just wanted to be there. Otherwise, I would have been with you.

Ms. SAIKI. Don't think I didn't miss you.

Chairman LAFALCE. OK.

[Laughter.]

Ms. SAIKI. I put that down in my little computer up here. But now that you have explained the reason, I will forgive you.

Chairman LAFALCE. OK.

[Laughter.]

Chairman LAFALCE. What penance do I get?

[Laughter.]

Ms. SAIKI. Penance is right.

It is good to be here with all of you.

For the past 15 years, women have been entering the work force in increasingly high proportions, out of necessity, many times, but with the expectation always of economic self-sufficiency. For many, their expectations have met obstacles, low wages, discrimination, and the demands of family have hindered women's progress in the work force.

As a result, many women looked at the options traditionally given them and began to consider alternatives. Their dreams of economic independence and career fulfillment remained, and to fulfill these dreams, many women decided to take the risk and start their own businesses. Risk it, they have, successfully.

Women business owners today are a potent economic force in our national economy. As I listened to all of your remarks, I noticed that you are well aware of the statistics. You are very, very much up on the data that, hopefully, we have been giving you, but also covered through the national media.

I think it looks very positive for women in the future. However, the present trend must continue. We must put all of our energies toward promoting, affecting, and encouraging women and not put obstacles in their way.

But to add to all of the statistics that you already have, let me add a few more that, hopefully, you will use in broadcasting worldwide that women in the United States are good risks. They are truly dedicated people who have the skills to become successful in the business world.

The SBA's Office of Advocacy, in conjunction with the Federal Reserve Bank, recently completed a study which estimated that women owned 1,994,809, or 13.9 percent, which is 14 percent of all corporations in the United States. The dollar value of women-owned companies has increased even more dramatically than their number, from $98 billion in 1982 to $278 billion in 1987. Even that number if misleading. It does not include many of the Nation's largest women-owned businesses which are full corporations.

Our Office of Advocacy study also determined that 6.5 percent of corporate receipts, or approximately $200 billion, could be credited

to these entities. Clearly, women business owners represent a potent economic force in our national economy.

To put that number in perspective, the annual receipts of women-owned businesses in the United States are greater than any single State's contributions. Generally, governments, whether they are Federal, State, and/or local, have been slow to support the dynamic constituency of women business owners. However, as the public sector has increased its role in economic development activities, programs designed to assist women in business have become much more prevalent.

These programs offer a combination of training, education, and market assistance that produces measurable, long-term economic development for States, municipalities, and our Nation. The U.S. Small Business Administration's mission is to assist in the development and expansion of small business.

The SBA's Office of Women's Business Ownership was established in 1979 specifically to support the growth and expansion of women entrepreneurs. One of the primary responsibilities of this office is to implement the Women's Business Ownership Act of 1988, and I might add, Mr. Chairman, that I was pleased to have supported your piece of legislation when it came to the floor in October 1988.

The primary purpose of today's hearing, I understand, is to focus on title II of the act, which authorized these long-term counseling and training centers for current and potential women business owners. Our goal, as it was Congress', is economic development and to identify the best ways to train and educate women to increase their chances for entrepreneurs success. This program was authorized for 3 years, with a total of $6 million appropriated to carry it out.

Nine organizations have received awards in fiscal years 1989 and 1990. There are 18 sites in operation throughout the country today. More than 2,500 women received training and counseling assistance through these centers in the first 18 months of the program. We made a determined effort to identify and encourage demonstration projects that enhanced economic development efforts for small business.

The training centers are located in rural and urban, affluent, as well as poorer areas. Consequently, we are learning what approaches are most effective, based on a variety of settings. Although the centers all offer financial management and marketing and technical assistance to current and potential women business owners, each center tailors its programs to the community's unique needs, and I am sure you wouldn't want to have it any other way.

We have enjoyed success in the demonstration project program wherever the sites have been established. For instance, the business center for women in Denver opened its doors on January 15. It served 180 women and clients have started 12 new businesses. There are many examples, many stories that are worth noting that I have included in my full testimony, and that I am sure you would want to read at your leisure.

SBA has carefully monitored the progress of each awardee during this demonstration phase. We have identified a few key

changes that could facilitate program implementation. These are the suggestions, Mr. Chairman.

The Women's Business Ownership Act requires that private sector match be obtained before the SBA finalizes the awards. Requiring the awardees to raise funds before they have an award commitment from the SBA has been very, very difficult. Many of the awardees' traditional sources of funds are reluctant to commit money to a program that exists only on paper. In addition, frequently, the onsite partner who provides many of the local contacts are reluctant to tap their fund-raising sources without a more formal commitment.

We would request, Mr. Chairman, and members of the committee, that Congress allow some latitude in this requirement. The SBA could require each proposal we receive to be submitted with a fund-raising plan and data to document the applicant's fund-raising ability.

The second suggestion is that under the statute today, each awardee is required to develop a fund-raising partnership with private sector companies. The dollar-for-dollar, private-to-Federal matching of funds has proven very difficult for most organizations for two primary reasons: First, today's economy is more difficult for all businesses, much less women-owned businesses. Many corporations are cutting the amount of money allocated for corporate giving. They frequently offer office space, computers, telephones, and related items; items the centers would have to obtain anyway before even opening their doors.

SBA requests that the demonstration projects be allowed to use corporate in-kind goods that are budget line items only as a portion of their match. This would be very, very helpful in getting the show on the road, so to speak, getting the awards off to a good start.

Second, some of the most logical large corporate supporters of this type of program seek to make funding decisions that have a national impact. Thus, they are hesitant to support an individual center in favor of other worthwhile national endeavors, but they don't have the means to support all of the centers.

The SBA would like to see a national fund-raising mechanism for these demonstration projects established. Under this proposal, a private sector group would approach large national corporations to support all of the sites. This would allow a national company to support the centers on a national basis without having to decide between multiple individual applications for each site.

The money raised would be proportionately distributed to all of the sites. The private sector fund-raiser could cover its costs from the moneys raised.

Third suggestion, raising the startup money required to open a center's doors is the hardest task for awardees. We propose to seek 3-year plans for each organization that allow the startup costs to be balanced against a third year's projected activity. Awards would continue to be made annually, based on availability of funds from Congress.

However, the allocation of funds to the awardee would be different. In the first year, three Federal dollars would be allowed for each private dollar. In the second year, an equal Federal-to-private

match, 50/50, and in the third year, a Federal dollar would be allowed for every three private dollars, so you see what we are doing is we are phasing in a 3-year period, the match, so that we don't just abandon the entire match in the given 3 years, and instead, we sort of phase out.

This basically will allow other public entities, such as State and local governments, to pick up where the Federal project is phasing out.

Congress has suggested that Federal dollars should assist these centers initially. Then, once they are established as an important part of the economic development network, the State and local partners would be willing to step in. However, guiding these centers into partnerships with their States requires that Congress be more flexible in the third year's match.

We recommend making State and local funding acceptable as part of the private sector match in the third year, when three private dollars are required for each Federal dollar. This would encourage the States to continue the Federal investment and these vital economic development centers would be perpetuated.

Mr. Chairman, it is clear that these long-term training and counseling centers need a minimum of 3 years of support to develop self-sufficiency in their communities. As you know, the President's budget requested $4 million for this program in fiscal year 1992. Reauthorization would allow the SBA to sustain the ongoing programs until they are self-supporting, and it would also permit us to replicate these centers in other parts of the country.

Supporting women business owners is a high priority at the SBA. We are working to ensure that women entrepreneurs are aware of the full range of programs offered by the SBA and our partner organizations. We must also continue to provide comprehensive and accessible training for women to ensure that their startup businesses succeed over the long term.

The demonstration projects, the long-term training and counseling centers offer critical support to the increasing numbers of women entrepreneurs throughout the country. They are concrete examples of the benefits we will reap from successful partnerships between the private and public sectors.

As we move into the 21st century, one of the keys to continued national economic progress is the full advancement of women in business. To do less would deprive this Nation of a valuable pool of talent and ability. The SBA will continue its commitment to bring women into the mainstream of economic development, and I, as the Administrator of the SBA, look forward to working closely with you to develop these centers, to continue the demonstration projects, and to expand them throughout our Nation, and certainly look forward to working with you on other SBA matters.

Thank you very much. If you have any questions, I have Lindsey and Catherine to answer all of your questions. Basically, I think it is because of the shortness of my time with the agency that I wouldn't want to mislead any of you.

Mr. Chairman, if I may just digress, I received a note. I have just received word from the President. He has decided to appoint me as chairman of the Women's Business Council.

Chairman LAFALCE. Congratulations.

Ms. SAIKI. Should I accept?

[Laughter.]

Ms. SAIKI. I think this is truly an honor. I feel that the Women's Business Council has many contributions to make. I certainly look forward to working with each and every one of them and instill, I think, in the community a broader understanding of what women are really all about.

[Ms. Saiki's statement may be found in the appendix.]

Chairman LAFALCE. I am sure they look forward to working with you, as we look forward to working with you in your dual capacities now, not only as Administrator, but chairperson of the National Women's Business Council.

As part of the honeymoon process, I have no questions.

[Laughter.]

Ms. SAIKI. Thank you. Thank you very much, Mr. Chairman. Please feel free, however——

Chairman LAFALCE. That is not to say that other Members don't.

Ms. SAIKI. But please feel free to submit any questions.

Chairman LAFALCE. Do any other Members have questions?

Mr. TORRES. No questions, Mr. Chairman.

Chairman LAFALCE. Jan.

Mrs. MEYERS. Not this morning, but, perhaps, when all of us have digested your suggestions. Incidentally, I thought your testimony was very good. You have given us something to review and to think about, and we will probably all have a lot of questions at a later date.

Ms. SAIKI. Thank you very much. It is a pleasure to be here with all of you.

Chairman LAFALCE. Thanks very much, Pat.

Will the witnesses in panel number 2 please come to the table now; Hedy Ratner, Marilu Meyer, Martha Seger, and Gillian Rudd.

Ms. Ratner, you will be our first witness.

TESTIMONY OF HEDY M. RATNER, CODIRECTOR, WOMEN'S BUSINESS DEVELOPMENT CENTER

Ms. RATNER. Chairman LaFalce, and members of the Committee on Small Business of the U.S. House of Representatives. thank you for the opportunity to testify before you today on women's business ownership issues and on the reauthorization of the Women's Business Ownership Act and the demonstration projects.

I am Hedy Ratner. I am codirector of the Women's Business Development Center, a nonprofit organization committed to the economic development and self-sufficiency of women and their families.

The center provides counseling, entrepreneurial training, support groups, networking, financial assistance, and, as a priority, Government and private sector certification and procurement opportunities for women business enterprises.

The Women's Business Development Center works closely with Federal, State, and municipal agencies as an advocate for affirmative action in employment and contracting and as a resource and adviser providing assistance in identifying and certifying women business enterprise suppliers and vendors, training and consulting

Bethesda, Maryland 20814

in the area of minority and women enterprise contracts, subcontracts, and procurement.

The Women's Business Development Center works with thousands of women business owners in the State of Illinois and in Indiana.

In 1989, and again in 1990, the Women's Business Development Center was honored to be one of the national demonstration projects selected by the USSBA Office of Women's Business Ownership to provide women's business assistance to women starting and developing their businesses in Illinois and Indiana.

We have successfully replicated our Chicago programs in Rockford, Kankakee, and Joliet, Illinois, and in Indianapolis, Indiana. Results indicate long-term business and economic development for women in the communities served by the Women's Business Development Center.

The growth of women's business ownership is one of the fastest growing and most important trends in our economy today, yet women are still shackled by economic discrimination. The recommendations of the Women's Business Development Center are: Multiyear funding for funded demonstration projects; amending the match requirements in the legislation and administration of the demonstration project programs; altering the startup process for demonstration projects; and our general recommendations for women's economic development relate to access to credit, Federal procurement, and certification.

The strengths of the demonstration project, from our perspective—the purpose of the grant is to replicate successful programs which help women business owners develop the skills they need to create and sustain successful companies. Too many women have started businesses without the necessary skills and financial resources, only to see their businesses fail within a short period of time.

Technical and management assistance before and during the development of a business can prevent poor management decisions. Financial resources that are targeted to the needs of women-owned businesses can allow a business to grow into a vital, economic entity that employs a significant number of people and generates income in the local economy.

The demonstration project has encouraged the replication of successful business assistance programs for women-owned businesses to areas around the country that were not previously served. Through these new programs, both prospective and established women business owners are receiving the assistance they need to create vital businesses in their communities.

The center in Chicago is only one of the centers across the Nation that has received a demonstration project grant to replicate its programs.

The grant moneys permitted the hiring and training of staff, the identification and use of local women business owners in such fields as accounting, law, computers, marketing, and graphic design to provide their expertise and training, the provision of in-depth entrepreneurial training courses, establishment of support groups for women business owners, the development of new financial mechanisms to encourage financing to women business owners who

did not meet the traditional underwriting guidelines of local banks, and the provision of training and assistance to women-owned businesses to become certified and link with local private and public sector purchasers.

In Chicago, one of the replication efforts during the first 15 months of the grant resulted in—and that is just in Rockford, Kankakee, and Joliet—over 900 women receiving counseling with women counselors with extensive business experience; over 700 women attending a variety of workshops and courses; over 120 women becoming involved in networking support groups; and in a recent 2-month period, six women opened new businesses in just one of the Illinois sites which resulted in 27 new jobs created.

In another Illinois site, a workshop resulted in the creation of a partnership which established a consignment gallery to serve many of the local women who work in the arts.

It must be reemphasized that these results are only from three new demonstration project sites during the first 15 months after they received the demonstration grant funds. Currently, there are over 15 sites that have been established throughout the country, all assisting women business owners to create and sustain their businesses.

To this end, the demonstration project has had a tremendous impact on women's economic development and on the economic development of our Nation.

I want to go through some of the problems that we felt with the legislation and, Congressman LaFalce, I think you have heard from us many times about some of the issues. So, I will repeat myself again.

No multiyear funding. Our recommendation is that we provide multiyear appropriation authority so that the demonstration projects can realize Congress' goal of providing long-term assistance to women business owners. Specifically, the lack of long-range planning affects the ability of the demonstration project sites to hire good people, develop essential programs and activities, establish loan funds, and retain good image and credibility of the programs, as well as of its supporters.

The Women's Business Development Center also recommends that the project sites be allowed to administer revolving loan programs and other financial assistance programs utilizing a portion of the demonstration project funds. Our program in Chicago, and we have established it also in Rockford, established a very successful women's business loan program where we provided small loans of between $5,000 and $30,000 to women who were unable to find financing from any other sources. These are women without collateral, who have good, solid businesses and good, solid business plans, but no ability to find traditional financing. Establishing a creative financing program in conjunction with banks and Government allowed us to make loans to some of these women business owners, so we would hope that that would be possible as part of the demonstration project.

For the match for the grant and—we have repeated this again and again—demonstration project sites are required to raise a dollar-for-dollar, private-to-Federal match without any in-kind match allowed. This is an extremely difficult task to accomplish in

today's economy by a new program with little, if any, track record. It is hard enough for a program with a track record.

Once again, it is ironic that the demonstration project counselors advise clients about the difficulty of obtaining financing when you start your business and have no track record and this same problem holds true for our organizations that have no track record when they are establishing their projects.

We strongly recommend that the demonstration project sites obtain a 3-year commitment of funding from the SBA and that it is phased over the 3-year period.

It is also strongly recommended that the type of funding sources allowed for the match are not solely limited to those from the private sector in a cash form. In the past several months, the amount of money available from corporations and foundations to fund projects like the demonstration projects have shrunk dramatically. Not-for-profit organizations are having to work harder and more creatively in order to obtain the funding they need to exist.

In-kind contributions, State and local funds, and program-generated income should all be acceptable forms of match for the grants. For the purpose of this grant, we recommend that the SBA allow documentable, in-kind contributions for the purpose of the match.

The projects add a vital economic development service to a local and State economy. The Women's Business Development Center recommends that some funding for the demonstration project sites originate from State and local governments.

Funding from these Government agencies could be particularly important during the first year of a new site when there is no track record to approach foundations and corporations.

As for program-generated income being utilized as a part of the match, we would like to thank the SBA for making this allowable during the past year. The demonstration project sites can charge for counseling, entrepreneurial training, loan packaging, workshops, and conferences. Even if the sites charge minimal fees for its services and events, this program income can help defray the cost of operating their program.

For startup requirements, currently it is required that the private sector match be made before the SBA finalizes the awards. It is strongly recommended that Congress should not require that the match be raised before funds are awarded, but that a project will be selected, based on their ability to identify likely funding sources.

It is also recommended that the Congress allow some flexibility in the time period required to establish a new program.

We have some additional recommendations for women's economic development generally that I would like to refer to.

The passage and implementation of Public Law 100–533, the Women's Business Ownership Act, has had and will continue to have major impact on women's economic development nationally. However, the Women's Business Development Center is still concerned that the issues addressed in reports and highlighted by the National Women's Business Council in its December 1990 report to the President and Congress still have a need to be adequately addressed, including access to commercial credit, the virtual exclusion of women-owned businesses from Government procurement activities.

Our recommendations on access to credit. Federal, State, and local minority and female business development initiatives do help with access to capital and credit opportunities through the public and private sector. Amend the Community Reinvestment Act guidelines so that target populations include minorities and women instead of language limiting CRA guidelines to low-, moderate-income geographical areas.

Encourage the USSBA to emphasize and target the small, under $50,000 loan program to minorities and women and to small businesses under 3 years in business. We would like to emphasize marketing and promotion of the small-loan program to the general public and to banks.

We would like to see the SBA establish an under-$50,000 direct-loan program for minority and female business owners, establishing a small startup-loan program for microenterprises without appropriate collateral; reauthorize the small-loan program to enable the SBA to continue to provide businesses access to smaller amounts of capital; develop initiatives that can provide contract financing for minorities and women with Government contracts, utilizing the contract as collateral; and develop initiatives for lines of credit for expanding minority- and women-owned businesses.

On Federal procurement goals for women business owners. The Women's Business Development Center would like to recommend strong, understandable criteria for women business enterprises procurement with realistic, enforceable procurement guidelines and goals and adequately staffed and funded implementation and monitoring procedures for Federal, State, and local government. The implementation of these procurement goals would provide increased business to women business enterprises who historically have not had these opportunities.

Like minority business owners, women have special problems; both presumptive groups need special attention.

The Women's Business Development Center and the thousands of women business owners with whom we work have several recommendations for procurement for women business owners. First, we, as members of several coalitions of minority and women business owners, encourage the reconfiguration of the Disadvantaged Business Enterprise, Women Enterprise, Minority Business Enterprise programs into separate categories.

Second, we would like to propose federally mandated WBE goals and set-asides. On the DBE Program, we are especially referring to the changes in the Department of Transportation guidelines that bunched women and minorities into one category, 10 percent, and it has been damaging, rather than supportive of the women and minorities who are entering these programs.

Third, we recommend an increase in the allocation for women and minority businesses in all Federal contracting. Placing women and minorities into the DBE category makes it impossible to track the progress and growth of either group; it pits women and minorities against one another, a circumstance to be avoided at all costs. All those who have been historically disenfranchised should work together to increase minority and women business enterprise participation in Government and private sector contracting.

Now, recommendations for certification. The Women's Business Development Center recommends that the Federal Government establish certification guidelines for women business owners. The rationale is establishing uniform and preemptive certification standards and the utilization of recognized credible private sector assistance in certification of minority and female business enterprises, such as the Chicago Regional Purchasing Council and other such councils affiliated with the National Minority Vendors' Council and organizations such as the Women's Business Development Center, that has implemented stringent certification guidelines and implementation.

Improvement of certification process for verifying WBE and MBE status. Our rationale is the pursuit and elimination of fraud in the certification process, with an enforcement mechanism and procedure to eliminate fronts and to penalize those individuals who have established such front companies.

Inclusion of representatives of minority and women's business community in the planning, implementation, and monitoring of set-aside and sheltered market programs, and last, to establish uniform participation goals for minorities and women in the Federal procurement process with annual reporting from each Federal agency about its procurement activity with minorities and women, by type of business, size of contract, total dollars spent, outreach initiatives, and business development initiatives by race and gender.

In conclusion, I would like to thank the members of the Committee on Small Business and the U.S. House of Representatives for the opportunity to present this testimony.

Thank you.

[Ms. Ratner's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Ms. Ratner, and of course, we will consider closely your recommendations with respect to the demonstration grant, and of course, that is what we wanted you to testify on, the demonstration grant, as a recipient. As to your various other recommendations, I don't know that we solicited those, but you got them in.

[Laughter.]

Ms. RATNER. The opportunity to be heard on those issues is always nice.

Chairman LAFALCE. Right. We did want to hear the recommendations from the National Women's Business Council on a whole panoply of issues, and I don't want to give equal status to your recommendations on that, as I am giving to the Women's Business Council, in all candor.

Let us now hear from the representatives of the Women's Business Council, and we have three of them. The first is Ms. Meyer.

TESTIMONY OF MARILU MEYER, OWNER, CASTLE CONSTRUCTION, CHICAGO, IL, AND VICE CHAIR, NATIONAL WOMEN'S BUSINESS COUNCIL

Ms. MEYER. Thank you very much, Mr. Chairman. Thank you for the opportunity to speak today to you about the National Women's Business Council, and the recommendations that we have made,

and will continue to make. You have my written testimony. I would like that to be entered into the record.

I do have just three or four war stories that I would like to bring to your attention to help document the state of the economy of women business owners and how the Council can work toward correcting these glaring errors and omissions.

First of all, the National Women's Business Council is composed of three public members and six private members. The six private members are all full C corporations, therefore, every single private member of the National Women's Business Council has never been counted on any economic census done by Government in terms of women-owned businesses.

The top 25 women-owned businesses in the city of Chicago, the top 25 women-owned businesses in New York City, and the top 25 businesses in the Los Angeles County area that are owned by women are not counted in any economic census. They are full C corporations and until something is done to include them on economic statistics, the larger women-owned businesses will never be included anyplace.

I bring that to your attention because I do think that is a glaring omission.

The same thing occurs for the minority-owned businesses that are full C corporations. They are not counted anywhere. That is my data collection recommendation.

My access to capital specific recommendation. I happen to bank at a wonderful bank in the city of Chicago, and I mean that sincerely. The Federal regulators, Federal Reserve regulators, happened to be in at my bank, and we have a line of credit of $500,000. It is fully collateralized by $600,000 of income-producing land trusts. There was a question of whether or not that was enough to cover the line of credit and another existing loan we have, in addition to which we also have $1.2 million worth of receivables.

I questioned the bank about that. I thought I was possibly overcollateralized. At the same time, I happened to have a luncheon with a woman lawyer who told me that her client at the same bank was going into chapter 11. Unfortunately, it happened to be a construction company, as my construction company—I own a construction company. Therefore, in these economic times, bankers tend to get a little nervous.

Interestingly enough, although my income-producing land trusts had been appraised and the appraisal bill sent to me, the other gentleman who owned a construction company, none of his assets had ever been checked and, interestingly enough, they were nonexistent.

I think there is a different set of criteria put up for a women-owned business, especially one in a cyclical business, such as construction, and there is an equally difficult access to capital that occurs for a women-owned business or a minority-owned business.

We had made several recommendations in our access to capital section of the document. However, when it comes to banks and banking, I defer to Governor Seger, but I did want to bring my particular war story to this committee.

My bank still loves me. I still sort of love my bank, as much as you can love a bank.

In terms of my specific subcommittee, which is Procurement, I have a couple of interesting war stories, one of which is included by addendum to my testimony. Hedy and I do come from the same city, and we do talk a lot, and we are on several minority and female committees together.

It turns out that the fine Federal Government is renovating the Dirksen Federal Building in Chicago, and possibly they may get the heat and air-conditioning to work one of these years there. It is a $30-million renovation. It is done by GSA. GSA does not have goals. I have had a couple of contractors, prime contractors, call me for quotes, and I have said, fine, I will give you quotes. I have then solicited the other prime contractors, who I know are also bidding the work, and their standard response to me is, "There are no goals; don't even bother sending a quote. We are going to deal the way we have always done it in the past," in addition to which, I heard a very disturbing story that the Minority and Women Alliance is going to pursue when we get back to Chicago. The Chicago School Board is under the city of Chicago ordinance for minority and female procurement, which came about as a result of the Crason decision. The city of Chicago ordinance presently states that 25 percent subcontracting will go to minority-owned businesses and 5 percent to women-owned businesses.

The Chicago School Board is in the process of putting out to bid three new schools and heavy renovation on several others. In an interesting, magical changing of budget, the school board line items for those new schools magically appeared on the Public Building Commission budget. Now, I know you are going to find this difficult to believe, but the Public Building Commission does not have goals. We are going to pursue that when we get back to Chicago, to see how, in fact, that magical smoke and mirrors occurred and how it got over to the Public Building Commission.

In terms of procurement, about 2 months ago, I met with a series of purchasing agents from various Federal Government agencies, and their statement to me, after about an hour and a half of rather heated discussion about women's procurement opportunities, their statement to me was, "Well, if it doesn't come from the top, we have better things to do." If there is no direction, whether it's from a CEO of a Fortune 500 company, or if it doesn't come down hard from the administration, or from the legislative branch, they have better things to do, and they will not take into consideration good-faith efforts.

I have been on the SBA Pass system for the 11 years of my corporate existence, and the Pass system now has a magical way of making minorities and women flip to the top once a time when they are asked for bids. In good computer language, they can also pull up how many times my particular company has been pulled up for contracts, and when I met with them about 3 months ago, my name has not been pulled up once in the timeframe that they can pull these names up.

So, I think there is a problem. There is a major problem in women's procurement opportunities with Government. There is a major problem with minority procurement with Government. If you are not an 8(a) firm, you can't get in the front door. It is as simple as that.

I do have a lot of other horror stories, but I know we are under time constraints. I do have one more story in terms of bonding that I would like to bring to your attention.

I have a friend who owned a construction company, a women-owned construction company, but her husband ran it, so I made sure she didn't get certified. They had a typical bloody divorce. I think that should be probably one word, as opposed to two words.

In the divorce proceedings, while they were going through the divorce proceedings, the wife, who was then, in fact, running the company, went to the bonding agent that her husband had used during the time he was indicted for bid-rigging, during the time he was incarcerated for bid-rigging, and was never denied a bond. I don't think I have to tell you the rest of the story.

She went to the bonding agent and the bonding agent said, "No; we really can't do this for you, Carol," and, of course, she reiterated her husband's past legal indiscretions and she scurried down the hall to another bonding agent at the same bonding company. The second bonding agent said, "Oh, sure, Carol, your credit is good. Everything is fine," signed bid, payment, and performance bonds. Bonding Agent A discovered it, called her at the office and said, "You get those bonds back to my desk tomorrow morning. If you dare to put those out on the street, I will smear you up and down Cook County," which is pretty hard to do.

It was the same company. Her husband had been given bonds when he was in jail. So, bonding companies, when they say everything is an objective criteria, yes; everything is an objective criteria to a certain point, and then it becomes real subjective.

Those are the horror stories I thought you would enjoy hearing. I have lots of them if any one of you has any questions.

I do want to thank you for inviting me to testify. I think the one thing that has to be reiterated is that women are America's greatest competitive advantage. There are more of us out there than Congress realizes. There are more out there than anybody realizes, and we have been forced by economic circumstances to run lean and mean.

So, we would appreciate whatever help in terms of nudging Government toward women procurement.

Thank you very much.

[Ms. Meyer's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Ms. Meyer.

Our next witness will be Dr. Martha Seger, regrettably a former member of the Board of Governors of the Federal Reserve System. Martha.

TESTIMONY OF MARTHA SEGER, FORMER GOVERNOR, FEDERAL RESERVE SYSTEM BOARD OF GOVERNORS, AND FORMER MEMBER, NATIONAL WOMEN'S BUSINESS COUNCIL

Ms. SEGER. Thank you very much.

Chairman LaFalce, and members of the Small Business Committee, I am really pleased to have the opportunity to appear before this distinguished group today to offer brief testimony on women's business issues, as I see them, and the National Women's Business Council.

My comments today are those of a private citizen, a woman whose interest in commerce and women entrepreneurs goes back over 30 years and who has recently returned to the exciting world of business.

Since I was a Governor of the Fed for nearly 7 years and represented the Fed on this Council from its inception until March 11, I have had an official involvement with its activities and a special interest in small business issues, especially those involving credit availability and regulatory burden.

Some of my former colleagues on the Council would argue that not much has changed for women business owners since that 1979 Charlotte Taylor study for the White House, even with the leadership of my good friend up here, John LaFalce, and the passage of the Women's Business Ownership Act in 1988.

I would argue that the challenges facing all small businesses today, especially women-owned ones, are probably even greater than they were in 1979. The reason for this rather extreme statement is that today the U.S. economy is in a recession situation which generates major problems for business, and, at the same time, the Nation has been experiencing a serious problem with credit availability, the so-called credit crunch.

Small businesses, many of them women-owned, are most vulnerable to each of these problems.

Since the recession began nearly a year ago, output has been declining, layoffs of employees of all color collars have been rising, paychecks have been shrinking or even being eliminated, and retail sales have been weak, with sales of consumer durables, such as cars, actually declining dramatically. Construction activity, as Marilu knows, has been in a slump for several years and, in some parts of the country, has reached depression levels. Profits have deteriorated and, in numerous cases, turned negative.

Many businesses have failed; bankruptcies, personal and business, are soaring. Collections of accounts receivable have slowed. Even suppliers of services to businesses and consumers have been impacted.

While the business situation in general has been weak, there are major differences between and among regions and industries. The economy of the Northeast has been especially depressed with real estate taking a severe clobbering. Moreover, the troop call-up for the Middle East conflict did serious damage to small businesses dependent upon servicemen and their families.

TV shows often reported on the sad experiences of barbers, car dealers, restaurants, and department stores whose business declined as the population of the base nearby did. As if this weren't enough bad news for small business, a major Federal tax hike was legislated last autumn while numerous State and local governments have been busy boosting taxes as well.

For those women and men who have so far survived the economic storms, more challenges may lie ahead from the so-called credit crunch. Over many years, small business studies have usually identified access to credit as the biggest single problem facing small business and the NWCB hearings produced similar comments from women entrepreneurs.

Recently, the news has been full of stories about how financial institutions have been restricting the flow of business credit in general, producing an acute problem for small, or women, or minority firms. Just this week, in fact, the Washington Post carried a front-page story about a local hair salon with a good credit record and a banking relationship covering over 10 years, whose application for a relocation loan was swiftly denied.

A few days before, the Wall Street Journal wrote about the severe damage the credit crunch is doing to retailers, even bringing about the bankruptcy and closing of a small department store in the chairman's home State of New York. This demise was unusually newsworthy to me since the store had been in business since 1916, not exactly a new kid on the block.

Other recent stories involve businesses in New Hampshire, where the weaknesses of the banks themselves were producing extreme credit availability problems, even for businesses with good track records and top credit ratings. Others reported that the takeover of the Bank of New England by the FDIC caused disruptions in the flow of credit, as the receivers there would cut or eliminate lines of credit, call existing loans, and refuse requests for renewals.

In Michigan and Arizona, individual business people, especially home builders and subcontractors, have told me personal horror stories about their established borrowing arrangements with savings and loans being abruptly altered soon after the FIRREA legislation took effect in 1989. When the RTC took over some of the S&L's, the situation became impossible.

The health of the financial system and the willingness and ability of banks to service their business customers is a key, if not the key, small business issue today, in my judgment. A recent survey of small business finances cosponsored by the Fed and the SBA concluded that local commercial banks are still the dominant suppliers of most financial services used by small- and medium-sized businesses, thus confirming the suggestion that changes in banker behavior do have major consequences for small business.

I believe women business owners do have some additional problems in the credit access arena, but today, we will get better public policy by focusing on fixing the overall credit crunch and that, in turn, will aid women business owners, as well as men.

A few weeks ago, John G. Heimann presented some testimony on the crunch before this very committee. He had some important observations on regulatory behavior as a cause of the crunch, and since he is a former Comptroller of the Currency, I think you should seriously consider his advice that bank examiners have to change their ways.

As Congress debates the Treasury proposals for reform of the banking system, I would hope that someone would ask what each of these provisions would mean to small businesses and their financing opportunities. Just the excessive volume of talk about the problems of the deposit insurance funds and the proposed cutbacks of coverage is causing deposit losses at many minority banks and small community banks.

These institutions then have less funds available to serve the financing needs of their customers. If the insurance cuts actually materialize, this type of problem would likely spread and intensify.

Besides looking at deposit insurance as a small business issue, I would encourage you to examine carefully the proposal for interstate branching. The Treasury authors hope this will knock off some existing small banks and replace them with branches of distant banks to get greater system efficiency.

I am not really sure this theory will work, but before it is tried, I would pray that its impact on the volume of business credit and quality of personal service to local businesses be considered.

Entrepreneurs need a lot of personal attention and advisory services from their bankers, what we used to call hand-holding.

In closing, I was going to make some comments about the structure and mission of the NWBC. I think it would be more effective if the proportion of actual businesswomen to Government officials was increased, and, although it is too late to make this suggestion, I still think it would be a good idea if the chairman was a business owner, rather than the head of the SBA.

To date, the Council has been run as an arm of the SBA with the Administrator doing hiring, firing, budgeting, et cetera. Since the Council itself needs more visibility and a higher profile to do its mandated job for Congress, I think it should be freed of SBA domination.

To date, the Council has focused on holding hearings around the country to solicit information from women business owners. Since the problems and challenges identified do not vary much, perhaps the emphasis should now shift to finding solutions.

It was a privilege to be a Council member. They are a great group of people, and I wish them all well in their important mission. If I can ever be of assistance to them or to you, Chairman LaFalce, please feel free to call me.

Thank you very much for letting me come today.

Chairman LAFALCE. Thank you very much, Dr. Seger. We are going to miss you greatly, and I hope we can find a way so that we can continue to call upon you.

Our next and final witness is Ms. Gillian Rudd.

TESTIMONY OF GILLIAN RUDD, ON BEHALF OF NATIONAL WOMEN'S BUSINESS COUNCIL

Ms. RUDD. Thank you, Mr. Chairman. Thank you, and members of the House Small Business Committee for inviting me to participate in the hearing today on the status of women-owned businesses on behalf of and as a former member of the National Women's Business Council.

When I last testified before you in April 1988, it was as president of NAWBO, and I asked then for the legislation on behalf of women business owners in access to credit, management, and technical assistance, data and statistics procurements, and the establishment of the Council.

The 1988 hearing resulted in the Women's Business Ownership Act of 1988, which, as Hedy has said, was really a major landmark gain for women business owners.

You established the National Women's Business Council and appointed me to that, and I thank you very much for spearheading

those efforts for the legislation and for my appointment. I regret the necessity that I must leave the Council now.

This morning, I would like to make some comments about the state of women business owners nationwide and then to report to you on some of the findings on data and statistics and on international trade from the second report to the President and Congress.

As Martha has mentioned, and others, the effects of the recession are coming very hard on women business owners. The gains that we have made in the last 20 years, despite the barriers that have existed, and the two main ones that you have heard this morning, are access to capital and Government contracting, and the gains we have made are under very heavy siege.

As usual, of course, we have no data at all on what is happening. As far as I know, there is no process in place that is taking the pulse of women-owned businesses in the economy, and, so, there is no real way that we can institute policies most effectively to help our emerging and growth businesses and our established businesses to survive the recession and to retain the entrepreneur energy that we need to remain competitive in the global marketplace.

I am talking about all of America's entrepreneurs, but you know that I am particularly concerned about the 6 million that are owned by women business owners, and I don't wait for the Government statistics. I include the full corporations to the 6 million mark.

Let me tell you what I am hearing anecdotally since we don't have the data and statistics. I am hearing, frequently, reports from fellow women business owners of bankruptcy, business closings, and heavy down-sizing of businesses.

In Michigan, at least one women business owner I know reported that she personally knew of 15 women-owned businesses, most doing over $3 million a year, that had gone out of business. I hear, at the same time, entrepreneurs telling me that they have hopes to see the light at the end of the tunnel, but really, I don't see one at this point in time.

Women, as you know, are very heavily in the service sector, and service sector businesses are hardest hit in a recessionary period. Cash-flow is and always will be a problem, probably, for entrepreneurs, but it is a very severe problem now. Banks are sticking their heads in the sand. They are closing down credit lines, and they are making no new lines to entrepreneurs. That is across the board. Women business owners always are hardest hit by that.

Actually, in fact, what banks are doing is closing down businesses across the country, and creating heavy job loss, and bringing a vital part of the entrepreneurial sector to a standstill.

There are, you will be happy to hear, a few bright spots. I didn't want to be all doom and gloom this morning. The National Foundation for Women Business Owners, in November, which is 5 months ago, and I want to emphasize that because the recession is having such an accumulative impact now, we surveyed NAWBO's membership, which is approximately 4,000 women entrepreneurs nationwide, and so, from that survey, we probably have the most up-to-date statistics on what is happening with U.S. women entrepreneurs.

In November, 41 percent were very pessimistic about the economy, but 75 percent were optimistic about their company's future. This could be the craziness of entrepreneurs because you have to be optimistic to succeed.

The reasons they were optimistic, aside from that, were that they had entered the marketplace lean and mean and, for once, I guess we should thank our banks for that. Two, they were service and quality oriented, and those are two qualities that are highly necessary as you fight in a battle for survival. Three, they are targeted in issues that help them remain recession-proof. For instances, as large corporations down-size, they may be providing temporary personnel or doing services that can step in where employees are laid off.

A few other statistics from this survey. Just to show you the kind of economic impact and job impact that happens, 44 percent of NAWBO members had gross sales over $250,000, 18 percent over $1 million; 47 percent have more than five employees; 11 percent had payrolls over $5,000; 6 percent over $1 million—they averaged 36 percent yearly growth since 1985, which is really a phenomenal growth—76 percent started their businesses with personal capital and this is very pointed, I think; 38 percent of those businesses do not have bank credit today; 37 percent said availability of capital was the greatest barrier to growth, however, 82 percent planned business growth this year and 56 percent of them were financing it through reinvesting their own profits.

I would like to ask for three things. After I started coming to Congress, I learned I had to ask for things a lot, so I am asking for three things in data and statistics and one in the credit area. I would like to ask you to put teeth into the legislation you passed on data and collection. The Council has met with Census and with IRS, but there is no movement.

I would also like to ask you to create a mechanism to take the pulse of women entrepreneurs in the economy. This doesn't have to be a large or expensive exercise. I am now on some list from a firm in Pennsylvania that regularly sends me a postcard finding out what I would buy, what influences my businesses in terms of what I read, what conferences I go to, that kind of thing. It is a very quick return on what is happening, and I really do think we need to get some sort of feeling about what is really going on in the economy now.

I also suggest that the committee bring together the major players on data collection and how it affects women and minority entrepreneurs. These are the statistics that drive economic development policy, and they are noticeably inconsistent and incomplete. In a recent report from the Economic Policy Committee on improving the equality of economic statistics around the country, women and minorities were not mentioned. So, I would like to suggest that you bring together the Bureau of Labor Statistics, the Bureau of Economic Analysis, the Census Bureau, the Council of Economic Advisers, the Federal Reserve Board, the IRS, anybody who has a hand in statistics, and try to get them to move.

In the credit area, I would like to ask that the committee explore alternatives to provide access to capital beyond the traditional

banking delivery system which does not work for entrepreneurs. It is not meeting our needs.

I would suggest looking at such alternatives as a small-bank lending company authority and making sure that if an institution will lend money to entrepreneurs, that they can do it across the Nation, across State lines.

Another alternative is a creation of an entity such as the Liberty Fund in Michigan, where there is a matching public and private sector dollar to set up a sort of venture capital fund. But we need to get out of the banking system and into the growth system.

Another intriguing statistic, and I would like to talk a little bit about international, is that 28 percent of the NAWBO women surveyed were either actively involved in the international arena or had plans to go international. One of our own Council members, Esther Shapiro, actually has just returned from Rome where she has just finalized establishment of a European production company.

A major challenge of the 1990's, as you know, will be for us to move competitively internationally and the reconstruction opportunities that are occurring in Kuwait, Europe 1992, the emerging free markets in Central Europe, and the potential in the Soviet Union are of vital importance to women business owners. The National Women's Business Council has established an international trade subcommittee to increase the participation of women business owners in the global marketplace. We believe that success in the international marketplace will be defined by knowledge, service, quality, timeliness, flexibility, and customized response to customer needs, and we do feel we have an edge there, that we do have superior communications and intercultural skills that will give us an extra advantage. We have already proven that in visits to Japan and other countries.

By making information, knowledge, and resources available now, we can launch a golden decade for America's women entrepreneurs and help them make the leap into the world marketplace, while generating enormous benefits for the American economy.

We hope, Mr. Chairman, that you will agree with us there be a technical amendment to Public Law 100-533, adding international trade as a mission to the National Women's Business Council. We also request that congressional hearings be held regarding international trade for women-owned business, identifying the resources needed to fast-track women entrepreneurs into moving in the international market.

These hearings would also help us conceptualize model programs to launch women business owners into the global economy.

The kind of model programs we are thinking of would target four regions: The European Community, Eastern Europe, Latin America, and specific countries and industries in the Pacific Rim.

What we have in mind at this particular moment is screening and grooming 10 to 20 participants in each area and using the best possible strategic approach to ensure success. To do that, we would like to work with the Department of Commerce, with Exim, with OPIC, with AID, and with the SBA, and make sure that the participants in our programs will be provided with the kind of negotiating skills they would need for each targeted country.

If we then tracked those model programs, we could institute a successful international program across the board for women entrepreneurs and any entrepreneurs, any U.S. entrepreneurs.

Furthermore, we believe that women-owned businesses deserve the opportunity to share in the reconstruction of Kuwait. Since we know that at least 6 percent of the troops in the Gulf were women, we are asking that at least 6 percent of the contracts that the U.S. Corps of Engineers awards should be targeted for women business owners.

We also ask that Congress communicate to the Government of Kuwait its encouragement that women-owned businesses be included in Kuwait's rebuilding. Finally, as a program entity, to celebrate the achievement of women entrepreneurs over the past two decades and to position them to achieve their full potential in the 21st century, the National Women's Business Council has recommended holding a women's economic summit tentatively scheduled for May 1993. Some of its goals are the development of a national economic growth policy for women, the encouragement of growth and stability of women-owned businesses, and to make U.S. business more competitive internationally.

We would hope to involve Government agencies, major corporations, and entrepreneurial women and leaders from around the world so that we could develop the best possible policies we could. However, if this summit is to move forward in a recessionary climate, Congress must provide a leadership and funding.

I would like, finally, to talk about commitment, which I think everybody has touched on a little bit, commitment to the growth and stability of women-owned businesses, which is commitment to a major sector of the U.S. economy.

Your efforts, Mr. Chairman, on our behalf have been notable and deeply appreciated by women business owners across the country. We have very few champions.

How do we spread that kind of understanding that you have of women entrepreneurs' vital role in the U.S. economy to State and local government officials—the kind of stories that Marilu has told—and to the financial institutions?

Last month, 12 women business advocates from across the United States met in Phoenix, Arizona. They all reported that commitment to women's business programs was minuscule, that they were working with little money, and that no State was committed to economic development programs for women, and that every change in State Government, women business owner programs are in jeopardy.

I have been recusing myself from demonstration projects, but I can now say whatever I want. In the last couple of days, I have heard of increasing State and local support for the management and technical assistance demonstration projects funded under the Women's Business Ownership Act, and they are just beginning, I think, to make a dent in the widespread need for management training and technical assistance.

As you know, I chaired the National Foundation of Women Business Owners, and we were part of a joint venture with Deloitte & Touche and three women-owned businesses. We designed a replicable training and counseling model and, in our first prototype in

Milwaukee, 28 new businesses were started, 31 expanded, and over $1.25 million was returned to the local economy.

In the second year, the program was expanded to Detroit, to a NAWBO chapter this time, where over 400 women have already started the program.

For the third year, the joint venture plans to move to six additional geographies, including your home district, Mr. Chairman, Rochester, New York, as part of our dream to make really a national management and technical training assistance program for women entrepreneurs.

This is a success story that is beginning to be heard by State and local development agencies. You have given us, and Hedy, and the other people an opportunity to institutionalize training programs and to show to local and State economies that we can deliver bottom-line dollars in an economy. I urge you to continue this program and to take the suggestions of the demonstration projects, such as Hedy has offered. Its success is already, I think, a legacy to this committee and your foresight in establishing the program 2 years ago.

As to the structure of the Council as I leave it, I agree with everything that Governor Seger's remarks were in terms of the structuring and leading of the Council.

Mr. Chairman, many of us worked with you when H.R. 5050 became a reality. We are most appreciative of everything you did and everything the committee and the staff did. As you know, legislation is a beginning. Women business owners need a commitment of minds and dollars to make the legislation a reality. To secure our economic future, it is even more essential now that Government and industry form a new and real partnership with women business owners. Out of crisis frequently comes change, but I hope out of this recession will come development, and that will be the development of women entrepreneurs.

Thank you.

[Ms. Rudd's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Ms. Rudd, and all the members of the panel.

I am personally torn. I would like to ask you some questions, but I would also like to be in the Chambers of the House right now where Lindy Boggs is being honored and the House is in recess specifically for that purpose because Lindy was one of the outstanding Members of the House, male or female, and was such a tremendous prod to me to become involved in women's business issues and especially with respect to to equal credit opportunity.

First of all, Mr. Hancock, do you have any questions?

Mr. HANCOCK. One question.

Chairman LAFALCE. Surely.

Mr. HANCOCK. Thank you, Mr. Chairman.

I am a little concerned about one statement made here that says that the traditional banking delivery system is not meeting the needs of entrepreneurs. Are you talking about women entrepreneurs specifically or are you talking about all entrepreneurs?

Ms. RUDD. I always talk about women entrepreneurs specifically, but actually I am talking about all entrepreneurs. I met last week with one of the big five accounting firms, and I was talking to

them about their high-technology companies, and they said that everything is shut down for them in terms of getting money for growth.

So, it is across the board. The banks, I think, are just in a state of paranoia. They have done wrong, and now they won't play with anybody.

Mr. HANCOCK. There is a lot of discussion on whether what the banks do is wrong or whether our Government's tax policy causes more of the problems than the banks do.

I am very concerned about that. We have almost reached the point as a result of our tax laws which prefer debt to equity that everybody wants debt instruments, rather than risk capital in the form of stock. The result is that banks now loan money on the risk of the success of that business, rather than just loaning money to the business.

We could all work together to restore the capital gains preferential tax treatment so entrepreneurs, including women, have better access to capital.

Thank you very much, Mr. Chairman.

Chairman LAFALCE. Thank you.

I am going to take under very serious consideration all of your recommendations. I am very inclined toward some and have more questions about others, obviously. That is always the way, and we will be in further discussion with you.

I surely do see the need for greater data-gathering efforts. Perhaps we can be more descriptive legislatively to the administration with respect to the type of data that they should be collecting and surely with respect to the multiyear authorizations. I see the imperative for that because it is difficult to hire anybody if you are only going to be hired for 1 year and you are probably not able to hire them until 6 months into the year.

I think we need to work very closely to ensure that whatever service delivery programs we do have, such as the miniloan programs, become even more aggressive and, if there are any hurdles, that we eliminate those hurdles. If there are any additional incentives that are needed, we consider additional incentives, et cetera.

I surely want to destroy, obliterate any barriers that exist to the ability of women regarding procurement opportunities or any opportunities. I do have grave qualms, of course, about any set-aside programs, and this is not a new position with me at all. If we could achieve goaling without set-asides, that would be desirable, but it is so difficult sometimes to come up with goals without having them considered set-asides.

But that truly should be explored. If there is some way of better understanding the universe of the business community, including the incorporated business community, I think that would be helpful. We will surely have to explore that. We will seriously entertain all your recommendations.

Dr. Seger, I was so glad that you, as a former Governor of the Federal Reserve, have opened the door for me. You have pointed out the imperative of this committee, the Small Business Committee, having hearings on certain financial services sector issues. We have not been reluctant in the past to have hearings in any area where we think the small business community is affected, but now

that such an authoritative voice as yours has exhorted us to do this, we just might have to, despite any reservations I might have, because I agree with you that this credit crunch is a very serious problem, and I think it has been caused by a whole host of factors, and we should be looking into that.

I think that it surely is having an especially adverse impact on the small business community, and that within the small business community, it might well have an adverse impact on those within the small business community who usually have the most difficulties, and that would be minorities, women-owned businesses, et cetera.

The credit crunch hearings that I had this year and last year are indicative of that, but there is a whole host of other financial services issues that I think this committee will be looking into in the future. We will be working closely with you on that, I am sure. You have been extremely helpful.

What are you doing in the private sector now, or is it too recent of a departure for you.

Ms. SEGER. I have gone on five corporate boards, one of them from your neighborhood, Xerox.

Chairman LAFALCE. Did you, really? Good for you. What are the other ones?

Ms. SEGER. Amoco, which is the old Standard of Indiana; Kroger, which is groceries; Amerisur, which is an insurance holding company in Detroit; and Fluor, which is on the front page of today's Wall Street Journal. Obviously, you have heard of it.

Chairman LAFALCE. You just make sure that Fluor gives those Kuwaiti contracts to women business owners.

Ms. SEGER. That is what I was thinking, that they could have a little influence there.

[Laughter.]

Chairman LAFALCE. You also make sure that Xerox returns it's basic headquarters from Hartford, Connecticut, to Rochester, New York.

[Laughter.]

Chairman LAFALCE. That is all.

Ms. SEGER. It would be easier to get to.

[Laughter.]

Chairman LAFALCE. All right.

The committee will adjourn and everybody here in attendance is encouraged to go to the House Gallery to watch Lindy being honored.

Thank you very much.

[Whereupon, at 11:10 a.m., the committee was adjourned, to reconvene, subject to the call of the Chair.]

APPENDIX

OPENINING STATEMENT OF THE HON. ANDY IRELAND

WOMEN'S BUSINESS ISSUES

HOUSE SMALL BUSINESS COMMITTEE

APRIL 18, 1991

THANK YOU, MR. CHAIRMAN FOR HOLDING THIS HEARING AND FOR YOUR WILLINGNESS TO KEEP OUR EYES FOCUSED ON THE IMPORTANT ISSUES AFFECTING WOMEN OWNED SMALL BUSINESSES.

MY THANKS, AS WELL, TO ALL THE WITNESSES FOR BEING HERE TODAY AND FOR VOLUNTEERING THEIR VALUABLE TIME AND EFFORTS ON BEHALF OF THE NATIONAL WOMEN'S BUSINESS COUNCIL.

LET ME ALSO OFFER MY COMPLIMENTS ON THE FINE REPORT FILED BY THE COUNCIL, AND I ASK THAT IT BE INCLUDED IN THE RECORD SO THAT THE ENTIRE CONGRESS CAN BENEFIT FROM IT.

AS PART OF THIS PRELUDE, I'M PLEASED TO OFFER A SPECIAL WELCOME TO MRS. SAIKI FOR WHAT I BELIEVE IS HER FIRST HEARING AS SBA'S NEW ADMINISTRATOR.

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IT'S NO SECRET THAT THERE ARE SIGNIFICANT BARRIERS TO WOMEN BUSINESS OWNERSHIP, THAT THE NATION AND THE CONGRESS HAVE A RESPONSIBILITY TO TAKE STEPS TO BREAK DOWN THOSE BARRIERS.

THESE HEARINGS ON THE WOMEN'S BUSINESS OWNERSHIP ACT GIVE US THE OPPORTUNITY TO EXAMINE THE BARRIERS FACED BY WOMEN ENTREPRENEURS, AND ALSO TO MEASURE OUR PROGRESS AT BREAKING THROUGH THOSE BARRIERS SO THAT WOMEN HAVE AN EQUAL OPPORTUNITY TO SUCCEED -- NOT A GUARANTEE OF SUCCESS, BUT A CLEAN SHOT AT SUCCESS.

RIGHT NOW, IT OFTEN SEEMS THAT WOMEN ENTREPRENEURS MUST RUN THE HIGH HURDLES AGAINST THEIR COMPETITION'S 50-YARD DASH!

AND AS A LONG-TIME STUDENT OF GOVERNMENT, I STRONGLY SUSPECT THAT WE'RE ABOUT TO HEAR MORE EVIDENCE THAT, ALL TOO OFTEN, OUR FEDERAL BUREAUCRACY IS PART OF THE PROBLEM, RATHER THAN PART OF THE SOLUTION.

I THINK THAT IN ALL OF OUR DELIBERATIONS, WE MUST REMEMBER THAT CONGRESS IS ABOUT TO CONSIDER A HOST OF BILLS THAT CAN PLAY HAVOC WITH NEW AND EXISTING SMALL ENTERPRISES.

EVEN AFTER WE LEAVE THIS HEARING TODAY, WE NEED TO KEEP ASKING SOME KEY QUESTIONS:

- WHAT BARRIERS TO OPPORTUNITY IS CONGRESS PUTTING UP TODAY?
- WHAT BARRICADES WILL CONGRESS TOSS ON THE ROAD TOMORROW?
- AND MOST IMPORTANT, WHAT ARE WE DOING TO KEEP THE PATH RELATIVELY CLEAR OF DEBRIS, SO THAT SMALL BUSINESS OWNERS CAN GET BACK TO CREATING MORE JOBS, INVENTING BETTER PRODUCTS, AND PROVIDING MORE INNOVATIVE SERVICES THAN ANY COUNTRY IN THE WORLD?

MR. CHAIRMAN, HAVING READ THE COUNCIL'S SECOND REPORT TO CONGRESS, I KNOW WE'LL HEAR SOME SOUND, PRACTICAL ANSWERS TO THESE QUESTIONS.

BUT LET'S ALSO TAKE THIS OPPORTUNITY TO LOOK DOWN THE LANE A FEW MILES SO THAT WE CAN KEEP THE BARRIERS FROM GOING UP IN THE FIRST PLACE -- SO THAT WE CAN BE PRO-ACTIVE RATHER THAN RE-ACTIVE.

MR. CHAIRMAN, THANK YOU, AGAIN FOR HOLDING THIS TIMELY, PRODUCTIVE HEARING.

HENRY B. GONZALEZ, TEXAS, CHAIRMAN
FRANK ANNUNZIO, ILLINOIS
STEPHEN L. NEAL, NORTH CAROLINA
CARROLL HUBBARD, JR., KENTUCKY
JOHN J. LAFALCE, NEW YORK
MARY ROSE OAKAR, OHIO
BRUCE F. VENTO, MINNESOTA
DOUG BARNARD, JR., GEORGIA
CHARLES E. SCHUMER, NEW YORK
BARNEY FRANK, MASSACHUSETTS
BEN ERDREICH, ALABAMA
THOMAS R. CARPER, DELAWARE
ESTEBAN EDWARD TORRES, CALIFORNIA
GERALD D. KLECZKA, WISCONSIN
PAUL E. KANJORSKI, PENNSYLVANIA
ELIZABETH J. PATTERSON, SOUTH CAROLINA
JOSEPH P. KENNEDY II, MASSACHUSETTS
FLOYD H. FLAKE, NEW YORK
KWEISI MFUME, MARYLAND
PETER HOAGLAND, NEBRASKA
RICHARD E. NEAL, MASSACHUSETTS
CHARLES LUKEN, OHIO
MAXINE WATERS, CALIFORNIA
LARRY LaROCCO, IDAHO
BILL ORTON, UTAH
JIM BACCHUS, FLORIDA
JAMES MORAN, JR. VIRGINIA
JAMES COX, JR. ILLINOIS
TED WEISS, NEW YORK
JIM SLATTERY, KANSAS
GARY L. ACKERMAN, NEW YORK

CHALMERS P. WYLIE, OHIO
JIM LEACH, IOWA
BILL McCOLLUM, FLORIDA
MARGE ROUKEMA, NEW JERSEY
DOUG BEREUTER, NEBRASKA
THOMAS RIDGE, PENNSYLVANIA
STEVE BARTLETT, TEXAS
TOBY ROTH, WISCONSIN
ALFRED A. McCANDLESS, CALIFORNIA
RICHARD H. BAKER, LOUISIANA
CLIFF STEARNS, FLORIDA
PAUL E. GILLMOR, OHIO
BILL PAXON, NEW YORK
JOHN (JIMMY) DUNCAN, JR., TENNESSEE
TOM CAMPBELL, CALIFORNIA
MEL HANCOCK, MISSOURI
FRANK RIGGS, CALIFORNIA
JIM NUSSLE, IOWA
RICHARD K. ARMEY, TEXAS
CRAIG THOMAS, WYOMING
BERNARD SANDERS, VERMONT

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U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED SECOND CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

OPENING STATEMENT
OF
THE HONORABLE ESTEBAN E. TORRES
BEFORE THE COMMITTEE ON SMALL BUSINESS
APRIL 18, 1991

I thank the Chairman for calling this important hearing on women's business issues. While I am pleased that the general trend for women-owned businesses is positive, I am concerned this growing segment of our business sector may not be receiving adequate consideration of its needs.

Many factors affect business formation, growth and survival. The most difficult obstacle to overcome has always been lack of access to capital.

Another major obstacle is access to contracts. I am deeply disturbed by the contract figures I am hearing in the 8(a) program. The most recent statistics show that the share of federal prime contracts to small businesses are declining. Contract actions awarded to women-owned and minority-owned firms accounted for $1.8 billion and $5.3 billion respectively, in FY 1988. In many ways, minority and women owned firms have been adversely affected since the passage of the 8(a) reform legislation in 1988.

I am confident that future activities of this Committee will ensure the continued growth of women-owned in businesses in this country.

STATEMENT OF REPRESENTATIVE JAN MEYERS
SMALL BUSINESS COMMITTEE HEARING
"WOMEN BUSINESS ISSUES"
APRIL 18, 1991

Mr. Chairman, I am so pleased you've called this hearing today to examine the status of women-owned businesses in this country, both in terms of how far we've come, and how far we have to go, in opening all doors of opportunity for women.

As the report of the National Women's Business Council illustrates, over 30 percent of all small businesses are currently owned by women. Furthermore, the Small Business Administration estimates that women will own 50 percent of all small businesses in the 21st century. Certainly, this is good news. Women are "taking the plunge" and starting up their own businesses at a rate twice as fast as men. However, I think we can all agree that there is still room for improvement in eliminating some of the obstacles that prevent many women from undertaking their own business ventures.

Access to credit remains a problem for many women entrepreneurs in this country--and this problem has no doubt been heightened due to the "credit crunch". The federal procurement process is still problematic for women-owned businesses, particularly the certification procedures. Resources for technical assistance to women-owned and controlled businesses should be further developed.

Mr. Chairman, I know that each and every member of this Committee is concerned about the problems that confront women-owned businesses.

But as the only woman member of the Small Business Committee, let me thank you again for holding the hearing today. I'm looking forward to hearing from our distinquished panel of witnesses, and would take this opportunity to extend a special welcome to Pat Saiki, in her first appearance before this Committee as the new Administrator of the U.S. Small Business Administration.

April 18, 1991

STATEMENT BY CONGRESSMAN WILLIAM S. BROOMFIELD
AT HEARING ON WOMEN'S BUSINESS ISSUES
HOUSE COMMITTEE ON SMALL BUSINESS

I'd like to begin by thanking you, Chairman LaFalce, for calling this important hearing to discuss women's business issues. Today, women make up approximately 44% of the U.S. workforce, participating actively and competitively in the business arena. Women are absolutely vital to our country's economic growth and development and I look forward to hearing some helpful testimony about what we can do to further expand business opportunities for women.

I want to extend a warm welcome to the new SBA Administrator and personal friend of mine, Pat Saiki. Congratulations on your appointment, Pat. I am confident that your leadership, past experience and hands-on approach will make you an effective SBA manager and will help to affect positive change in our nation's economic opportunities. I look forward to working with you on small business matters in the future.

I also want to recognize and welcome a longtime friend and constituent of mine, Martha Seger. Martha truly is an exceptional woman and a real tribute to the positive role that women are playing in today's business world. Her years of public service, both in Michigan and at the Federal level, have been exemplary. As a member of the National Women's Business Council, she worked hard to expand business opportunities for women, and as Governor of the Federal Reserve, she took a special interest in small business issues. It is great to see

you here today, Martha.

Finally, I want to thank the other witnesses for appearing before the Small Business Committee today.

Statement of Honorable Jim Ramstad

Hearing on Women's Business Issues

Before the House Committee on Small Business
April 18, 1991

Mr. Chairman, I want to express my appreciation for calling today's hearing on "Women's Business Issues."

Clearly, women business owners play a vital role in contributing to our national economy. Each year women entrepreneurs start-up new small businesses, entering the marketplace to fulfill career goals and attain dreams of economic independence. Today, nearly one third of all small businesses in the United States are owned by women.

Small businesses throughout the nation are experiencing many problems caused by the current economic recession. Certainly, this recession has impacted those small businesses owned by women. It is important that this committee examine what government assistance is needed to break down barriers to obtaining capital and gaining market access to ensure that women continue to be this country's competitive advantage.

I look forward to hearing the testimony of our guests today. Their input and observations, based on firsthand knowledge, should prove very informative and enlightening.

SBA U.S. Small Business Administration Washington, DC 20416

Statement of the Honorable Patricia F. Saiki
Administrator, U.S. Small Business Administration

Hearing Before the U.S. House of Representatives
Committee on Small Business

Washington, D.C.
Thursday, April 18, 1991

Mr. Chairman, Congressman Ireland, Members of the Committee, I thank you for your kind invitation to address this Committee on women business owners. I am particularly pleased to have this opportunity to appear before the full committee as my maiden appearance from this side of the table.

BACKGROUND

For the past 15 years women have been entering the work force in increasingly high proportions--out of necessity, and with the expectation of economic self-sufficiency. For many, their expectations have met obstacles. Low wages, discrimination and the demands of family have hindered women's progress in the work force.

As a result, many women looked at the options traditionally given them and began to consider alternatives. Their dreams of economic independence and career fulfillment remained, and to fulfill these dreams many women decided to take the risk and

start their own businesses. And risk it they have. Successfully. Women business owners today are a potent economic force in our national economy.

Currently, women are starting businesses at twice the rate of men. The most recent statistics released by the U.S. Census Bureau show that 32 percent of small businesses in the United States are owned by women. This is the fastest-growing segment of our economy, and if the present trend continues, nearly 40 percent of all small businesses will be women-owned by the year 2000. In addition, the SBA's Office of Advocacy, in conjunction with the Federal Reserve Bank, recently completed a study which estimated that women owned 1,994,809 or 13.9% of all full corporations (C corporations) in the United States.

The dollar value of women-owned companies has increased even more dramatically than their number: from $98 billion in 1982 to $278 billion in 1987 (according to latest Census Bureau statistics). Even that number is misleading. It does not include many of the nation's largest women-owned businesses: full corporations (C corporations). The Office of Advocacy's study also determined that 6.5 percent of corporate receipts--or approximately $200 billion--could be credited to these entities. Clearly, women business owners represent a potent economic force in our national economy. To put that number in perspective, the annual receipts of women-owned businesses in the United States are greater than any single state's contribution.

Generally, governments (federal, state and local) have been slow to support the dynamic constituency of women business owners. However, as the public sector has increased its role in economic development activities, programs designed to assist women in business have become more prevalent. These programs offer a combination of training, education and market assistance that produces measurable, long-term economic development for states, municipalities and our nation.

The U.S. Small Business Administration's mission is to assist in the development and expansion of small business. The SBA's Office of Women's Business Ownership (OWBO) was established in 1979 specifically to support the growth and expansion of women entrepreneurs. One of the primary responsibilities of this office is to implement The Women's Business Ownership Act of 1988 (PL 100-533). I might add, Mr. Chairman, that I was pleased to support your legislation when it came to the floor in October, 1988.

The SBA has been working to achieve the goals set forth in this Act by promoting specific programs. Among them:

1) The Small Loan Program. As prescribed in Title III, this program was established within the 7(a) guarantee loan program. Banks are often reluctant to make loans of $50,000 or less, so this program is designed to make these smaller amounts of capital available. Small loans are especially important to companies in service industries, where women business owners are concentrated. Since September 1989, when

the final regulations were published, SBA's Finance Division and the Office of Women's Business Ownership have been actively marketing the small loan program both to potential lenders and borrowers. Overall, SBA lending in this category has increased by almost 2 percent during the past year. Specifically, women business owners have received 24.2 percent of the small loan guarantees made in 1990, or $21,596,343.00.

This program was originally authorized for fiscal years 1989-1991. SBA is seeking long-term reauthorization of this program.

2) Title V of the Women's Business Ownership Act required federal agencies to collect more complete data on women business owners. Accordingly, SBA's Office of Advocacy has produced A Status Report to the Congress: Statistical Information on Women in Business that has been widely disseminated. We continue to accumulate information from existing studies, and we support new research to explore trends in women's business ownership. In addition, the Office of Women's Business Ownership, our Office of Public Communications and the Office of Advocacy regularly review statistical information on women business owners from the Census Bureau, Internal Revenue Service and other sources, and summarize it for the press and for trade associations.

3) Title IV of the Act established the National Women's Business Council for five years. Annually, the Council recommends specific initiatives to the White House and Congress as elements of a long-range strategy to support women-owned businesses. As the recently confirmed Administrator of the Small Business Administration, I am pleased to be the newest member of this Council, and I anticipate a productive year's work with my fellow Council members. The Women's Business Council submitted its Second Annual Report to the President and Congress in January. This included policy recommendations regarding women's access to capital, the federal procurement process, the demonstration projects and international trade.

DEMONSTRATION PROJECT PROGRAM

The primary purpose of today's hearing is to focus on Title II of the Act, which authorized these long-term counseling and training centers for current and potential women business owners. Our goal, as was Congress', is ECONOMIC DEVELOPMENT: to identify the best ways to train and educate women to increase their chances for entrepreneurial success. This program was authorized for three years with a total of $6 million appropriated to carry it into effect ($2 million each in FY 1989, 1990 and 1991).

Nine organizations have received awards in fiscal years 1989 and 1990, and there are 18 sites in operation throughout the country today. More than 2,500 women received training and

counseling assistance through these centers in the first 18 months of the program. (See attachment #1)

We made a determined effort to identify and encourage demonstration projects that enhance economic development efforts for small business. The training centers are located in rural and urban, affluent and poor areas. Consequently, we are learning what approaches are most effective based on a variety of settings. Although the centers all offer financial, management, marketing and technical assistance to current and potential women business owners, each center tailors its programs to the community's unique needs.

THE DEMONSTRATION PROJECTS ARE CRUCIAL TO ECONOMIC DEVELOPMENT

We have enjoyed success in the Demonstration Project Program wherever the sites have been established. I would like to share some of our good news with you.

ILLINOIS AND INDIANA

The Women's Business Development Center of Chicago counseled 724 women during the first 12 months of the Demonstration Project and received a model project award in 1989 and 1990. The program developed three sites within Illinois in 1989: Rockford, Joliet and Kankakee (kank-ka-KEE).

Bonita Hendrix of Rockford, Illinois, went to the Women's Business Development Center for management assistance. Hendrix is the sole proprietor of a resale clothing store, and at the time she was the only employee. Today, after receiving guidance from the Rockford Center, Hendrix has a second store and 10 employees.

WISCONSIN

Sue Gour bought a Merry Maid Franchise in Hales Corner, Wisconsin, in January 1988. Sue contemplated buying a second franchise in late 1989 but needed guidance on how to proceed. She went to the Women's Business Initiative Corporation of Milwaukee, which counseled 194 women from 1989 to 1990. With the help she received there, Sue refined her business plan and successfully purchased a second franchise. These businesses are expected to gross more than $300,000 in mid-1991.

Vivian Neuman, an honors graduate of the tailoring program at Milwaukee Area Technical College, also learned business skills from the Women's Business Initiative Corporation in Milwaukee. After drawing up a business plan and applying for a loan, Neuman won several commercial sewing accounts. Vivian employs two persons at least 30 hours a week, and she hopes to expand her business to include five or more employees so that she can establish a group health insurance plan.

COLORADO

The Business Center for Women in Denver opened its doors on January 15, 1990. It has served 180 women; clients have started 12 new businesses.

Patti Owens and Cheryl Vashus came to the Center three months after buying Byers Pizza Place in Byers, Colorado. The women had doubled their customer base since assuming ownership, but they were still not making a profit. Patti and Cheryl attended a business plan workshop and received regular counseling on inventory and management at the Center in Denver. Today, the restaurant is enjoying a profit and the women are considering opening another Pizza Place.

Sisters Annette and Victoria Quintana began attending seminars at the Center to explore the prospects of business ownership. They subsequently founded Excel Professional Services, now a thriving employment agency.

These demonstration programs have provided an invaluable service to many deserving women entrepreneurs, and have also taught us important lessons. We are learning how to teach key business skills and to tap the vast potential of women aspiring to business ownership.

PROBLEMS ENCOUNTERED AND SUGGESTED SOLUTIONS

SBA has carefully monitored the progress of each awardee during this Demonstration phase. We have identified a few key changes that could facilitate program implementation.

1. The Women's Business Ownership Act requires that private sector match be obtained before the SBA finalizes the awards. Requiring the awardees to raise funds before they have an award commitment from the SBA has been very difficult. Many of the awardees' traditional sources of funds are reluctant to commit money to a program that exists only on paper. In addition, frequently the on-site partner who provides many of the local contacts is reluctant to tap their fundraising sources without a more formal commitment.

   The SBA requests that Congress allow some latitude in this requirement. The SBA would require each proposal we receive be submitted with a fundraising plan and data to document the applicant's fundraising ability.

2. Under the statute each awardee was required to develop a funding partnership with private sector companies. The dollar-for-dollar private-to-federal matching of funds has proven very difficult for most organizations for two primary reasons.

   First, today's economy is more difficult for all businesses. Many corporations are cutting the amount of money allocated for corporate giving. They frequently offer office space, computers, telephones and related items--items the centers

would have to obtain before opening their doors. SBA requests that the demonstration projects be allowed to use corporate in-kind goods that are budget line-items only--as a portion of their match.

Second, some of the most logical, large corporate supporters of this type of program seek to make funding decisions that have a national impact. Thus, they are hesitant to support an individual center in favor of other worthwhile national endeavors, but don't have a means to support all of the centers.

The SBA would like to see a national fundraising mechanism for these demonstration projects established. Under this proposal a private sector group would approach large national corporations to support all the sites. This would allow a national company to support the centers on a national basis without having to decide between multiple, individual applications from each site. The money raised would be proportionally distributed to all the sites. (The private sector fund raiser could cover its costs from the monies raised.)

3. Raising the start-up money required to open a center's doors is the hardest task for awardees. We propose to seek three-

year plans from each organization that allow the start-up costs to be balanced against a third year's projected activity. Awards would continue to be made annually based on availability of funds from Congress. However, the allocation of funds to the awardee would be different:
In the first year, three (3) federal dollars would be allowed for each private dollar; in the second year, an equal federal-to-private match; and in the third year one (1) federal dollar would be allowed for every three (3) private dollars. This funding mechanism would encourage faster service delivery to the community and would allow a more stable track record for the center to be developed before federal funding was withdrawn.

Congress has suggested that federal dollars should assist these centers initially; then, once they are established as an important part of the economic development network, the state and local partners would be willing to step-in. However, guiding these centers into partnerships with their states requires that Congress be more flexible in the third year's match. We recommend making state and local funding acceptable as part of the private sector match in the third year, when three (3) private dollars are required for each federal dollar. This would encourage the states to continue the federal investment, and these vital economic development centers would be perpetuated.

Mr. Chairman, it is clear that these long-term training and counseling centers need a minimum of three years of support to develop self-sufficiency in their communities. As you know, the President's budget requested $4 million for this program in fiscal year 1992. Reauthorization would allow the SBA to sustain the ongoing programs until they are self-supporting and it would also permit us to replicate these centers in other parts of the country.

HOW DEMONSTRATION PROJECTS FIT INTO THE MISSION OF THE SBA

Supporting women business owners is a high priority at the Small Business Administration. We are working to ensure that women entrepreneurs are aware of the full range of programs offered by the SBA and our partner organizations.

We must also continue to provide comprehensive and accessible training for women to ensure that their start-up businesses succeed over the long-term. The Demonstration Projects, the long-term training and counseling centers, offer critical support to the increasing numbers of women entrepreneurs throughout the country. They are concrete examples of the benefits we all reap from successful partnerships between the private and public sectors.

As we move into the 21st century, one of the keys to continued national economic progress is the full advancement of women in business. To do less would deprive this nation of a valuable pool of talent and ability. The SBA will continue its commitment to bring women into the mainstream of economic development.

U.S. Small Business Administration's Office of Women's Business Ownership

Small Business Administration
Office of Women's Business Ownership (OWBO)
409 3rd Street, S.W.
Washington, DC 20416
202/205-6673 FAX: 202/205-7064
OWBO Director: Lindsey Johnson
Contracting Officer's Tech. Rep. (COTR): Harriet Fredman

Demonstration Project Awardees

The following nine organizations have received funding to establish 18 Demonstration Projects throughout the United States to train and counsel women starting and expanding businesses.

American Woman's Economic Development Corporation
60 East 42nd Street, Suite 405
New York, NY 10165
212/692-9100 FAX: 212/983-6435
Contact: Rosalind Paaswell, President

1989/90 Sites

Judith Luther
Regional Director
333 South Hope
10th Floor, H-10-53
Los Angeles, CA 90071
213/345-1152

Susan Phillips Bari
Regional Director
2445 M Street, N.W.
Room 490
Washington, DC 20037
(mailing address)
P.O. Box 65644
Washington, DC 20035
202/857-0091

Chart/WEDCO
2324 University Avenue
St. Paul, MN 55114
612/646-3808 FAX: 612/641-7223
Contacts: Kathy Keeley, President
Erika Walker, National Training Director
Cathy Jacobson, National Project Manager

1989/90 Site

Elsa Holguin
Project Director
Business Center for Women
Mi Casa
571 Galapago Street
Denver, CO 80204
303/573-1302 FAX: 303/595-0422
Judy Patrick, Associate Director
Eileen Donlin, Assistant Project Director

1990/91 Sites

Anne McGill, Project Director
Cyndee Hoialmen, Economic Development Coordinator
BI-CAP, Inc.
P.O.Box 579
Bemidji, MN 56601
218/751-4631

Lynn Spaight
WEVE/YWCA
229 - 16th Street
Rock Island, IL 61201
309/788-9793
Serving Quad Cities of Moline and Rock Island, Il and
Davenport and Bettendorf, IA

Tom Combs
BID Resource Center
4675 Washington Boulevard
Beaumont, TX 77707
409/842-9370

Houston Site
713/658-0300 Sites also in Dallas/Fort Worth
Linda Schneider, Site Coordinator

Midwest Women Business Owners Development Team
200 Renaissance Center, Suite 1600
Detroit, MI 48243-1274
Contacts: Cameron (Sandy) Duncan
313/396-3471

Gerri Larkin
101 N. Main St., 6th FL
Ann Arbor, MI 48104-1411
313/769-6200

Charlotte Taylor, President
Venture Concepts
1001 Pennsylvania Ave., N.W., Suite 435
Washington, DC 20004
202/783-1166

Sharon Hadary
Executive Director
National Foundation for Women Business Owners
1001 Pennsylvania Ave., N.W., Suite 435
Washington, DC 20004
202/347-0978 FAX: 202/628-2807

Mary Strickland
Women's Business Development Specialist
Wisconsin Department of Development
123 West Washington Ave., P.O. Box 790
Madison, WI 53707

1989/90 Site

Lidia Paz Beckett
Project Director
Women's Business Initiative Corp.
1020 North Broadway
Milwaukee, WI 53202
414/277-7004

1990/91 Site

Chinyere Neale
200 Renaissance Center, Suite 1600
Detroit, MI 48243
313/396-3576

Women's Business Development Center
230 North Michigan Avenue, Suite 1800
Chicago, IL 60601
312/853-3477 FAX: 312/853-0145
Contacts: Carol Dougal, Co-Director
Hedy Ratner, Co-Director
Linda Darragh, Projects Manager

1989/90 Sites

Juliann Minarich
Women's Business Advocacy Project
SBDC/Joliet Junior College
214 No. Ottawa, 3rd Floor
Joliet, IL 60431
815/727-6544 x1312

Jeanne Jenkins
WBDC, Division of Economic Dev. Services
Kankakee Community College
4 Dearborn Square
Kankakee, IL 60901
815/933-0375

Shirley DeBenedetto
Women's Business Owners Advocacy Program
SBDC/Rock Valley College
1220 Rock Street
Rockford, IL 61101
815/968-4087
SBDC Director: Beverly Kingsley

1990/91 Site

IRMSDC Indiana Regional Minority Supplier Development
Council, Inc., Steele Woolridge, Project Director
300 East Fall Creek Parkway, N.D., P.O. Box 44801
Indianapolis, IN 46244-0801
317/923-2110

New 1990/91 Sites

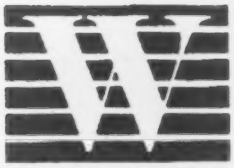
The West Company
A Women's Economic Self-Sufficiency Training Program
Sheilah Rogers, Director
413 North State Street
Ukiah, CA 95482
707/462-2348
To Serve Fort Bragg, CA
333 C North Franklin Street
Fort Bragg, CA 95437
707/964-7571

NAWBO of St. Louis
7536 Forsyth Blvd., Suite 325
St. Louis, MO 63105
314/367-5300
Contacts: Susan Barnard, Project Director
C. Virginia Kirkpatrick
To Serve St. Louis, MO

Women's Economic Self-Sufficiency Team (WESST Corp)
414 Silver Southwest
Albuquerque, NM 87102
505/848-4760
Contacts: Suzie Convery, Acting President
Joellyn Murphy, Chair of the Board
To Serve Albuquerque, Sante Fe and Taos, NM

YWCA of Greater Atlanta
957 North Highland Avenue, N.E.
Atlanta, GA 30306
404/892-3476 FAX: 404/875-4762
Contacts: Liz Flowers, Program Manager
Ruth King, Business Ventures Corp.
6030 Dawson Blvd., Suite E
Norcross, GA 30093
404/729-8000, 404/729-8028
Sharon Foster, Project Director, 404/872-4747
To Serve Atlanta, GA

Southwest Resource Development
8700 Crownhill, Suite 700
San Antonio, TX 78209
512/828-9034
Contacts: Joyce Hipp, President and Al Cervera, Project Director



WOMEN'S BUSINESS
DEVELOPMENT CENTER

WOMEN'S BUSINESS OWNERSHIP ISSUES
Women's Business Ownership Act
and Demonstration Projects Reauthorization

presented before the
CONGRESS OF THE UNITED STATES
COMMITTEE ON SMALL BUSINESS
Thursday, April 19, 1991

Testimony Presented by
Hedy M. Ratner, Director
Women's Business Development Center

Chairman La Falce and members of the Committee on Small Business of the U. S. House of Representatives, thank you for the opportunity to testify before you today on women's business ownership issues and on the reauthorization of the Women's Business Ownership Act and the Demonstration Projects.

The Women's Business Development Center is a non-profit organization committed to the economic development and self-sufficiency of women and their families. The Center provides counseling, entrepreneurial training, support groups, networking, financial assistance and--as a priority--government and private sector certification and procurement opportunities for women business enterprises.

The Women's Business Development Center works closely with federal, state and municipal agencies as an advocate for affirmative action in employment and contracting, as a resource and advisor providing assistance in identifying and certifying WBE suppliers and vendors, training and consulting in the area of minority and women business enterprise contracts, subcontracts and procurement. The WBDC works with thousands of women business owners in the state of Illinoir and in Indiana.

In 1989 and again in 1990, the WBDC was honored to be one of the national demonstration projects selected by the U. S. SBA, Office of Women's Business Ownership to provide women's business assistance to women starting and developing their businesses in Illinois and in Indiana. We have successfully replicated our Chicago programs in Rockford, Kankakee and Joliet, Illinois and in Indianapolis, Indiana. Results indicate long-term business and economic development for women in the communities served by the Women's Business Development Center

The growth of women's business ownership is one of the fastest growing and most important trends in our economy, yet women are still shackled by economic discrimination.

The recommendations of the Women's Business Development Center are:

- o Multi-year funding for funded demonstration projects
- o Amending the match requirements in the legislation and administration of the demonstration project program
- o Altering the start-up process for demonstration projects

General recommendations for women's economic development relate to:

- o Access to credit
- o Federal procurement and certification

DEMONSTRATION PROJECT

Strengths Of The Program

The purpose of the Demonstration Project grant is to replicate successful programs which help women business owners develop the skills they need to create and sustain successful companies. Too many women have started businesses without the necessary skills and financial resources, only to see their businesses fail within a short period of time. Technical and management assistance before and during the development of a business can prevent poor management decisions. Financial resources that are targeted to the needs of women-owned businesses can allow a business to grow into a vital economic entity that employs a significant number of people and generates income in the local economy.

The Demonstration Project has encouraged the replication of successful business assistance programs for women-owned businesses to areas around the country that were not previously served. Through these new programs both prospective and established women business owners are receiving the assistance they need to create vital business in their communities.

The Women's Business Development Center in Chicago is only one of the centers across the nations that has received the Demonstration Project grant to replicate its program. In the first year of the Demonstration Project, the Women's Business Development Center began to replicate its program in three other cities in Illinois.

The grant monies permitted:

* the hiring and training of staff;
* the identification and use of local women business owners in such fields as accounting, law, computer systems, marketing and graphic design to provide their expertise in training and counseling sessions;
* the provision of in-depth entrepreneurial training courses;
* the establishment of support groups for women business owners both in the targeted communities as well as in more remote communities;
* the development of new financial mechanisms to encourage financing to women business owners that did not meet the traditional underwriting guidelines of local banks; and
* the provision of training and assistance to women-owned businesses to become certified and to link with local private and public sector purchasers.

This one replication effort during the first 15 months of the grant resulted in:

* Over 900 women receiving one-on-one counseling with a woman counselor who had entrepreneurial experience herself.
* Over 700 women attending a variety of workshops and entrepreneurial courses.
* Over 120 women becoming involved in networking and support groups for women business owners.
* In a recent two month period, 6 women opened new businesses in just one of the Illinois sites which resulted in 27 new jobs created.
* In another Illinois site, a workshop resulted in the creation of a partnership which established a consignment gallery to serve many of the local women who work in the arts.

It must be re-emphasized that these results are only from three new Demonstration Project sites during the first fifteen months after they received the Demonstration Grant funds. Currently, there are over 15 sites that have been established throughout the country, all assisting women business owners to create and sustain their businesses. To this end, the Demonstration Project has had a tremendous impact on women's economic development and on the economic development of our nation.

Problems with the Demonstration Project grant legislation:

a) No Multi-Year Funding

Recommendation: Provide SBA with multi-year appropriation authority so that the Demonstration Projects can realize Congress' goal of providing long-term assistance to women business owners.

Currently the Demonstration Project provides funding on a year-to-year basis. Given this situation, it is impossible for individual programs to engage in long term strategic planning. Advice given to women business owners through the Demonstration Project is to undertake long-term management and financial planning for the health and growth of their businesses. Yet the demonstration projects themselves cannot practice what they preach!. Specifically, the lack of long-range planning affects the ability of the Demonstration Project sites to hire good people, develop essential programs and activities, establish loan funds, and retain the good image and credibility of the programs as well as of its supporters.

Given a one year commitment of funding, new programs have great difficulty in hiring good people. Many potential hires do not want to leave another job knowing that their new job might only last one year. In smaller communities where there are fewer women with entrepreneurial experience who would be eligible for a position with the Demonstration Project, the lack of job security beyond a year makes the hiring process even more difficult and creates delays in the development of the program.

Some activities that are intended for replication at a new site can take considerable time to develop and to implement. It is difficult to obtain community support, market the program, and put the program in motion if one is not sure that there will be funding to sustain the program once it begins. This is particularly true with programs related to financing. The development of a new loan program requires considerable time to obtain the confidence and establish partnerships with participating banks, government agencies, etc. Once a new loan program is in place, it is expected that the sponsoring agency will be in existence over several years in order to monitor the loan recipients and provide technical assistance when required. The aggressive development of such programs is impeded by the knowledge that funds to sustain an organization are not a certainty.

Some of the Demonstration Project sites are sponsored by existing organizations in the community. They feel uncomfortable putting their name and energies behind the promotion and development of a new program that might be discontinued within a year due to a lack of funding. The existing organizations believe that their good name and image could be adversely affected by supporting a program that cannot raise enough money to continue.

The Women's Business Development Center also recommends that the project sites be allowed to administer revolving loan programs and other financial assistance programs utilizing a portion of the demonstration project funds.

b) Match for the Grant

Demonstration Project sites are required to raise a dollar-for-dollar private to federal match without any in-kind match allowed. This is an extremely difficult task to accomplish in today's economy by a new program with little, if any track record. Once again, it is ironic that the Demonstration Project counselors advise clients about the difficulty of obtaining financing when you start your business and have no track record. This same problem holds true for new organizations that have no track record.

It is strongly recommended that the Demonstration Project sites obtain a three-year commitment of funding from the SBA and that it is phased over the three-year period.

For example, during the first year when the program is being established and there is no track record for the organization, the site would receive 75% funding from the SBA and 25% from other sources. In the second year, the ratio of SBA funding to funding from other sources would be 50-50. And in the final year it would be 75-25. After this three-year funding commitment, the programs would be able to continue without federal assistance.

It is also strongly recommended that the type of funding sources allowed for the match are not solely limited to those from the private sector in a cash form.

In the past several months, the amount of money available from corporations and foundations to fund projects like the Demonstration Project have shrunk dramatically. Not-for-profit organizations are having to work harder and more creatively in order to obtain the funding they need to exist.

In-kind contributions, state and local funds,and program generated income should all be acceptable forms of match for the grant.

Corporations that have reduced their contributions to community causes are often still likely to contribute through in-kind services. Other local corporations and institutions prefer to offer in-kind services as opposed to cash donations. The WBDC currently obtains in-kind contributions in the form of printing, postage, paper, office equipment, office furniture, airline tickets, discounts on messenger service and more. If an organization can reduce some of its operating costs through in-kind contributions it is not reasonable to use cash contributions to cover these same costs. We realize that there have been abuses made in allowing in-kind match in other programs.

For the purpose of this grant, we recommend that the SBA allow documentable in-kind contributions for the purpose of the match.

The Demonstration Project programs add a vital economic development service to a local and state economy.

The Women's Business Development Center recommends that some funding for the Demonstration Project sites originate from state and local governments.

Funding from these government agencies could be particularly important during the first year of a new site when there is no track record to approach foundations and corporations.

As for program generated income being utilized as a part of the match, we would like to thank the SBA for making this allowable during this past year. The Demonstration Project sites can charge for counseling, entrepreneurial training, loan packaging, workshops, conferences, publications and more. Even if the sites charge minimal fees for its services and events, this program income can help defray the costs of operating their program.

Start-up Requirements

Currently, it is required that the private sector match be made before the SBA finalizes the awards. As mentioned above, raising the match before a program has started or even has a track record is almost impossible. Until initial funds are disbursed, a new site cannot hire staff, develop a strategic plan for the program, establish goals and objectives, and then initiate a targeted fundraising campaign. In addition, the process of fundraising often takes several months. Proposals must be written, then reviewed by corporations and foundations, and finally submitted to a board for approval. Often there are designated times each year when foundations and corporations will review proposals related to specific funding causes such as economic development. It is unlikely that the foundation funding cycle and the deadline to secure the private sector match will coincide.

It is also required that a new program be established and open its doors for operation within 60 days of being awarded the grant. In some cases this has been possible. Especially where the new program is housed in an existing organization which provides space, secretarial services, and an administration willing to assist with accounting and administrative procedures. However, if a new program requires the identification of a location, the signing of a lease, furnishing and supplying the office from scratch, hiring of personnel, and then preparing a plan for the program, establishing systems and materials for the program, and marketing the program- it becomes almost impossible to open the doors for business within the required time period.

It is strongly recommended that Congress should not require that the match be raised before funds are awarded but that a project will be selected based on their ability to identify likely funding sources. It is also recommended that Congress allow some flexibility in the time period required to establish a new program. The time period allowed before a new site must open for business could be related to the amount of preparation required to set up an office location.

RECOMMENDATIONS FOR WOMEN'S ECONOMIC DEVELOPMENT

The passage and implementation of PL 100-533, the Women's Business Ownership Act of 1988 has had and will continue to have major impact on women's economic development nationally. However, the Women's Business Development Center is still concerned that the issues addressed in reports and highlighted by the National Women's Business Council in its December 1990 report to the President and Congress have still need to be adequately addressed including:

- Access to commercial credit
- Virtual exclusion of women owned businesses from government procurement activities

RECOMMENDATIONS ON ACCESS TO CREDIT

o Federal, state and local minority and female business development initiatives to help with access to capital and credit opportunities through the public and private sector.

o Amend Community Reinvestment Act guidelines so the target populations include minorities and women instead of language limiting Community Reinvestment Act guidelines to lo-mod income geographical areas.

o Encourage U. S. SBA to emphasize and target the Small Loan (under $50,000) program to minorities and women and to small businesses under three years in business. Emphasize marketing and promotion of the small loan program to the general public and to banks. In Chicago, we have only been successful with one SBA small loan.

o Establish an SBA under $50,000 direct loan program for minority and female business owners; establish a small start-up loan program for micro enterprises without appropriate collateral.

o Reauthorize the Small Loan Program to enable the SBA to continue to provide businesses access to smaller amounts of capital.

o Amend SBA's under $50,000 loan program to provide more incentives for bank participation. Current participation is low because of lack of incentives, the enormous paperwork required for SBA application and bank processing of these applications. This discourages both borrowers AND lenders. This program should be reviewed by bankers and advocates to eliminate all redundant and unnecessary paper work. We would like to thank the SBA in Region V for their quick approval of guaranteed loan applications. The time frames have improved greatly. However, the paperwork and time involved between approval and closing is a disincentive.

o Develop initiatives that can provide contract financing for minorities and women with government contracts utilizing the contract as collateral.

o Develop initiatives for lines of credit for expanding minority and women owned businesses.

o Expand the SBA mentor program to include a nationwide network of women investors who wish to provide market rate capital; for developing promising new businesses and expanding women owned businesses. A second tier of women investors could also be devised

Federal Procurement Goals for Women Business Owners

The Women's Business Development Center would like to recommend strong, understandable criteria for women business enterprise procurement with realistic, enforceable procurement guidelines and goals and adequately staffed and funded implementation and monitoring procedures for federal, state and local government. The implementation of these procurement goals would provide increased business to women business enterprises who, historically have not had these opportunities and who, historically have been discriminated against. Like minority business owners, women have special problems. Both presumptive groups need special attention.

The Women's Business Development Center and the thousands of women business owners with whom we work have several recommendations for this on procurement for women business owners.

o First, we, as members of several coalitions of minority and women business owners, we encourage the reconfiguration of the Disadvantaged Business Enterprise/Women Business Enterprise/Minority Business Enterprise program into separate categories.

o Second, we would also like to propose federally mandated WBE goals and "setasides" and

o Third, we recommend an increase in the allocation for women and minority business in ALL FEDERAL CONTRACTING.

Placing women and minorities into the DBE category makes it impossible to track the progress and growth of either group and pits minorities and women against one another, a circumstance to be avoided at all costs. All those who have been historically disenfranchised should work together to increase minority and women business enterprise participation in government and private sector contracting in the free enterprise system.

RECOMMENDATIONS FOR CERTIFICATION

O The Women's Business Development Center recommends that the federal government establish certification guidelines for women business owners.

Rationale: Establishing uniform and preemptive certification standards, and the utilization of recognized, credible private sector assistance in certification of minority and female business enterprises such as the regional Chicago Regional Purchasing Council and other such councils affiliated with the National Minority Vendors Council and organizations such as the Women's Business Development Center that has implemented stringent certification guidelines and implementation;

page ten

o Improvement of certification process for verifying WBE/MBE status. Rationale: Pursuit and elimination of fraud in the certification process with an enforcement mechanism and procedure to eliminate fronts and to penalize those individuals who have established such front companies.

o Inclusion of representatives of minority and women's business community in the planning, implementation and monitoring of setaside and sheltered market programs

o Establish uniform participation goals for minorities and women in the federal procurement process with annual reporting from each federal agency about its procurement activity with minorities and women by type of business and size of contract, total dollars spent, outreach initiatives and business development initiatives by race and gender.

In conclusion, I would like to thank the members of the Committee on Small Business of the U. S. House of Representatives for the opportunity to present this testimony.

4/18/91

THANK YOU, MR. CHAIRMAN, FOR INVITING ME TO SPEAK TODAY. I AM MARILU MEYER, OWNER OF CASTLE CONSTRUCTION IN CHICAGO, ILLINOIS, VICE CHAIR OF THE NATIONAL WOMEN'S BUSINESS COUNCIL AND PRESENTLY ACTING CHAIR.

IN 1990, OVER 30% OF SMALL BUSINESSES (NOT INCLUDING FULL CORPORATIONS) WERE OWNED BY WOMEN AND IT IS ANTICIPATED THAT WOMEN WILL OWN 50% OF THE SMALL BUSINESSES BY THE BEGINNING OF THE 21ST CENTURY. WOMEN BUSINESS OWNERS ARE THIS COUNTRY'S COMPETITIVE ADVANTAGE.

WOMEN BUSINESS OWNERS MAKE SIGNIFICANT CONTRIBUTIONS TO THE GROSS NATIONAL PRODUCT THROUGH JOB CREATION, OFFERING QUALITY PRODUCTS AND SERVICES AND PURCHASING GOODS AND SERVICES. TODAY, WOMEN ARE LEADING BUSINESSES IN EVERY SECTOR OF THE ECONOMY. NO LONGER ARE THEY ONLY IN THE SERVICE SECTOR BUT RECENT TRENDS SHOW THAT THEY ARE BREAKING GROUND IN NON-TRADITIONAL FIELDS. THE FASTEST GROWTH IN NUMBERS OF WOMEN OWNED BUSINESSES IS IN CONSTRUCTION, MANUFACTURING AND WHOLESALE TRADE.

MR. CHAIRMAN, IN THE NATIONAL WOMEN'S BUSINESS COUNCIL'S SECOND ANNUAL REPORT WE STATE THAT GOVERNMENT PROGRAMS FLOUNDER AROUND THE "QUESTION OF WOMEN" BECAUSE THE COUNTRY HAS NOT ACHIEVED CONSENSUS REGARDING THE PERCEPTION OF WOMEN AS SECOND CLASS CITIZENS.

THE DEFINITION OF WOMEN'S BUSINESS PROGRAMS IS BASED UPON THE FACT THAT WOMEN ARE 53% OF THE POPULATION AND THEREFORE A MAJORITY OF THE POPULATION, NOT A MINORITY. HOWEVER, WE BELIEVE THAT SOCIAL OR ECONOMIC DISADVANTAGE HAS TO DO WITH GENDER AS WELL AS RACE IN OUR SOCIETY, NOT WITH PROPORTIONATE NUMBERS OF THE TOTAL POPULATION.

IN LOS ANGELES AND CHICAGO WHERE WE CONDUCTED HEARINGS, THE TESTIMONIES HAD A SIMILAR THREAD ...."THERE IS NOT A LEVEL PLAYING FIELD FOR WOMEN BUSINESS OWNERS." FOR EXAMPLE, ONE WOMAN HAD A SUCCESSFUL RESTAURANT AND CATERING BUSINESS AND AS HER BUSINESS GREW SHE NEEDED TO EXPAND. SHE HAD $250,000 OF EQUIPMENT COMPLETELY PAID FOR---BUT SEVERAL BANKS REFUSED TO ALLOW THE EQUIPMENT TO BE USED AS COLLATERAL FOR A LOAN.

ANOTHER OWNED HER OWN BROKERAGE FIRM. SHE WAS RANKED EIGHTEENTH IN THE TOP ONE HUNDRED WOMEN OWNED BUSINESSES IN LOS ANGELES COUNTY, BUT IT IS ALMOST IMPOSSIBLE FOR HER TO COMPETE AS THE FINANCIAL MARKETS ARE DOMINATED BY THE "OLD BOYS NETWORK" ON WALL STREET. THE PENSION FUND BUSINESS NATIONWIDE AMOUNTS TO APPROXIMATELY THREE TRILLION DOLLARS. IN A PLAYING FIELD THIS LARGE THERE IS NO REASON WHY THE DOOR SHOULD NOT BE OPENED TO WOMEN.

MR . CHAIRMAN, FROM TESTIMONY HEARD THIS PAST YEAR THE COUNCIL CAN TRUTHFULLY SAY NOTHING HAS CHANGED TO HELP WOMEN BUSINESS OWNERS. THE FORTUNE 500 CEO'S CAN SAY "WE ARE COMMITTED TO GIVING MORE PROCUREMENT CONTRACTS TO WOMEN BUSINESS OWNERS" BUT UNTIL THE CEO MAKES IT A PRIORITY AND MAKES PROCUREMENT AGENTS ACCOUNTABLE IT WILL NEVER HAPPEN. THE SAME THING CAN BE SAID OF DOD. I RECENTLY MET WITH A SERIES OF FEDERAL GOVERNMENT PROCUREMENT OFFICERS AND WAS TOLD THAT THERE WAS NO INCENTIVE FOR THE CONTRACTING OFFICERS IN THE FIELD TO INCREASE PROCUREMENT OPPORTUNITIES FOR WOMEN BUSINESS OWNERS.

THE PERCEPTION IN THE FIELD IS THAT, UNLESS MANDATED BY CONGRESS OR REGULATED BY A POINT SYSTEM FOR ACHIEVING OR EXCEEDING "GOOD FAITH" GOALS, IT IS NOT GOING TO GET DONE.

MR. CHAIRMAN, WOMEN ARE DEEPLY CONCERNED ABOUT BUSINESS ISSUES AFFECTING OUR NATION AND ARE DOUBLY CONCERNED ABOUT OUR FREE ENTERPRISE SYSTEM, THE AMERICAN DREAM AND THE ECONOMIC HERITAGE WE LEAVE OUR CHILDREN FOR GENERATIONS TO COME.

YOU HAVE TAKEN THE LEADERSHIP ROLE IN CREATING THE NATIONAL WOMEN'S BUSINESS COUNCIL BUT THE WORK HAS JUST BEGUN. TODAY, AMERICAN WOMEN OWN BUSINESSES THAT THEY HAVE CREATED WITH MINIMAL ASSISTANCE FROM THE PUBLIC OR PRIVATE SECTOR. TO COMPETE FULLY IN THE AMERICAN AND GLOBAL ECONOMY, WOMEN ENTREPRENEURS NEED CAPITAL --- THEY NEED GOVERNMENT TO REDUCE BARRIERS TO MARKET ACCESS AND TO ORGANIZE FINANCIAL METHODS THAT SATISFY THE CASH FLOW AND CAPITALIZATION REQUIREMENTS OF ENTREPRENEURIAL BUSINESS OPERATIONS.

ONE WAY TO REDUCE BARRIERS IS TO ENSURE THAT WOMEN ARE INCLUDED IN THE COUNCIL OF ECONOMIC ADVISORS NEW STATISTICAL

INITIATIVE TO UPGRADE STATISTICAL GATHERING OF ALL GOVERNMENT AGENCIES. THE FEDERAL GOVERNMENT NEEDS TO UNDERSTAND THE VITAL ECONOMIC CONTRIBUTION BY WOMEN BUSINESS OWNERS TO THE GNP, AS THE AMOUNT GENERATED BY WOMEN BUSINESS OWNERS IS GREATER THAN THAT OF ANY OF THE FIFTY STATES.

MR. CHAIRMAN, THE COUNCIL RECOMMENDS THAT YOU HAVE A HEARING ON DATA COLLECTION WITH MICHAEL BOSKIN AND MEMBERS OF THE WORKING GROUP OF THE ECONOMIC COUNCIL TO ENSURE THAT WOMEN BUSINESS OWNERS ARE INCLUDED IN FUTURE STATISTICAL GATHERING.

UNTIL THE ROLE OF WOMEN AS BUSINESS OWNERS, JOB CREATORS AND GENERATORS OF WEALTH IS FIRMLY INGRAINED IN THE MINDS OF EVERY AMERICAN, WOMEN WILL CONTINUE TO BE SECOND CLASS CITIZENS. DESERT STORM WAS WON BY THE POWER OF INFORMATION. THE COUNCIL HAS RECOMMENDED THE DEVELOPMENT OF A NATIONAL INFORMATION CAMPAIGN AND REQUESTS CONGRESSIONAL SUPPORT FOR RESOURCES. CHANGING THE PUBLIC AND PRIVATE PERCEPTION OF WOMEN BUSINESS OWNERS CAN ONLY BE DONE BY INFORMATION. THE COUNCIL FULLY

ACCEPTS ITS CHARGE OF PROMOTING WOMEN BUSINESS OWNERS AS LEADERS AND A VITAL UNTAPPED RESOURCE IN THE AMERICAN ECONOMY. SINCE THE 1979 REPORT, I CAN HONESTLY SAY, -------NOTHING HAS CHANGED. WE NEED THE HELP OF CONGRESS TO BRING WOMEN BUSINESS OWNER'S INTO THE MAINSTREAM. WE ARE AMERICA'S GREATEST COMPETITIVE ADVANTAGE.

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE.

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APR 2 1991

March 29, 1991

WOMEN'S BUSINESS DEVELOPMENT CENTER

Ms. Marilu Meyer
Vice President
National Women's Business Council
1047 W. 115th Street
Chicago, Il 60643

Dear Marilu:

I am writing as Co-Director of the Women's Business Development Center, a women's business assistance program throughout Illinois and Indiana and as a member of the Alliance for Economic Development, and Illinois Women's Agenda, coalitions of women's economic development organizations concerned about economic parity and increased business opportunities for women.

Representing the above named organizations and coalitions, we are very concerned about the lack of goals and guidelines on federal projects. We are especially concerned today that the General Services Administration has no guidelines orgoals for minority and women's business enterprise participation in the approximately $30 million renovation of the Dirksen Federal building in Chicago.

Please consider this a formal complaint and a request for response from the National Women's Business Council.

We will be happy to convene a meeting of federal representatives to discuss this problem with minority and women's economic development organizations.

Thank you.

Sincerely,

Hedy M. Rainer

Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 1
To Helen Robbins | From Marilu Meyer
Co. | Co.
Dept. | Phone # 312-466-4330
Fax # 202-254-3861 | Fax #

CAROL DOUGAL, DIRECTOR · HEDY M. RAINER, DIRECTOR
230 NORTH MICHIGAN, SUITE 1800 · CHICAGO, ILLINOIS 60601 · (312) 853-3477

TESTIMONY PRESENTED TO THE HOUSE COMMITTEE ON SMALL BUSINESS BY GILLIAN RUDD, NATIONAL WOMEN'S BUSINESS COUNCIL APRIL 18, 1991

MR. CHAIRMAN, THANK YOU FOR INVITING ME TO PARTICIPATE IN THIS HEARING ON THE STATUS OF WOMEN BUSINESS OWNERS ON BEHALF OF THE NATIONAL WOMEN'S BUSINESS COUNCIL.

WHEN I LAST TESTIFIED BEFORE YOU IN APRIL 1988, IT WAS AS PRESIDENT OF THE NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS AND I ASKED FOR LEGISLATION ON BEHALF OF WOMEN BUSINESS OWNERS IN THE AREAS OF ACCESS TO CREDIT, MANAGEMENT AND TECHNICAL ASSISTANCE, DATA AND STATISTICS, PROCUREMENT, AND FOR THE ESTABLISHMENT OF A NATIONAL WOMEN'S BUSINESS COUNCIL TO TAKE A LOOK AT THE STATE OF WOMEN BUSINESS OWNERS NATIONWIDE.

YOUR 1988 HEARING THEN RESULTED IN THE WOMEN'S BUSINESS OWNERSHIP ACT OF 1988, A MAJOR LANDMARK GAIN FOR WOMEN BUSINESS OWNERS. PART OF THAT LEGISLATION INCLUDED THE ESTABLISHMENT OF THE NATIONAL WOMEN'S BUSINESS COUNCIL, TO WHICH YOU APPOINTED ME. I THANK YOU FOR SPEARHEADING THAT LEGISLATION AND FOR MY APPOINTMENT TO THE COUNCIL AND REGRET DEEPLY THAT I MUST NOW LEAVE THE COUNCIL.

THIS MORNING I WOULD LIKE TO MAKE SOME COMMENTS ABOUT THE STATE OF WOMEN BUSINESS OWNERS NATIONWIDE AND THEN REPORT TO YOU ON SOME OF

THE FINDINGS ON DATA AND STATISTICS AND INTERNATIONAL TRADE FROM THE COUNCIL'S SECOND REPORT TO THE PRESIDENT AND CONGRESS.

I AM EXTREMELY CONCERNED WITH THE EFFECTS OF THE RECESSION ON WOMEN ENTREPRENEURS.

THE IMPRESSIVE GAINS THAT WOMEN BUSINESS OWNERS HAVE MADE IN THE LAST TWO DECADES DESPITE THE BARRIERS THAT HAVE EXISTED, PARTICULARLY IN ACCESS TO CAPITAL AND GOVERNMENT CONTRACTING, ARE UNDER HEAVY SIEGE.

AS USUAL, WE HAVE NO DATA ON WHAT IS HAPPENING AND AS FAR AS I KNOW THERE IS NO PROCESS IN PLACE IN THE GOVERNMENT TO "TAKE THE PULSE" OF WOMEN-OWNED BUSINESSES IN THE ECONOMY, SO THAT IT WOULD BE POSSIBLE TO INSTITUTE POLICIES TO HELP OUR EMERGING AND GROWTH BUSINESSES TO SURVIVE THIS RECESSION AND RETAIN THE ENTREPRENEURIAL ENERGY THAT WE NEED TO REMAIN COMPETITIVE IN THE GLOBAL MARKETPLACE. I AM REALLY TALKING ABOUT ALL OF AMERICAN'S ENTREPRENEURS, BUT PARTICULARLY ADDRESSING THAT ONE THIRD OF U.S. BUSINESSES -- 6 MILLION -- THAT ARE OWNED BY WOMEN.

LET ME TELL YOU WHAT I AM HEARING ANECDOTALLY. I AM HEARING FREQUENT REPORTS OF BANKRUPTCY, BUSINESS CLOSINGS, AND HEAVY DOWNSIZING OF BUSINESS. IN MICHIGAN, AT LEAST ONE WOMAN BUSINESS OWNER REPORTED THAT SHE PERSONALLY KNEW OF 15 WOMEN-OWNED BUSINESSES, MOST DOING OVER $3 MILLION PER YEAR, THAT HAVE GONE OUT

OF BUSINESS. I AM ALSO HEARING HOPES BUT NO REAL SIGNS OF A LIGHT AT THE END OF THE TUNNEL. SINCE LAST FALL, FORECASTS HAVE BEEN THAT EVERYTHING WILL BEGIN TO COME BACK TOGETHER. IN THE SPRING, THEN IN THE THIRD QUARTER, THEN AT THE END OF 1991...

AS YOU KNOW, WOMEN ARE HEAVILY IN THE SERVICE SECTOR AND SERVICE-ORIENTED COMPANIES ARE THE HARDEST HIT IN A RECESSIONARY PERIOD. CASH FLOW IS ALWAYS A PROBLEM. IT IS A SEVERE PROBLEM NOW. BANKS ARE SIMPLY STICKING THEIR HEADS IN THE SAND, CLOSING DOWN CREDIT LINES, AND MAKING NO NEW LOANS TO ENTREPRENEURS. THEY ARE, IN FACT CLOSING DOWN BUSINESSES ACROSS THE COUNTRY, CREATING HEAVY JOB LOSSES, AND BRINGING THIS VITAL ENTREPRENEURIAL SECTOR OF THE ECONOMY TO A STANDSTILL.

THIS IS THE SECTOR OF THE ECONOMY THAT IN THE 1980s CREATED EMPLOYMENT GROWTH. IT WAS NOT THE FORTUNE 1000 COMPANIES.

I MUST SAY THERE SEEM TO BE A FEW BRIGHT SPOTS. LAST NOVEMBER, FIVE MONTHS AGO, THE NATIONAL FOUNDATION FOR WOMEN BUSINESS OWNERS AND THE NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS (NAWBO) SURVEYED ITS MEMBERSHIP, APPROXIMATELY 4000 WOMEN ENTREPRENEURS NATIONWIDE. THIS SURVEY GIVES US THE MOST UP-TO-DATE DATA WE HAVE ON WOMEN ENTREPRENEURS IN THE COUNTRY.

IN NOVEMBER, 1990, 41% WERE PESSIMISTIC ABOUT THE ECONOMY, BUT 75% WERE OPTIMISTIC ABOUT THEIR COMPANY'S FUTURE. I HOPE THAT OPTIMISM

STILL HOLDS. THE REASONS THEY WERE OPTIMISTIC ARE INTERESTING. OF COURSE, WITH ENTREPRENEURS THERE IS ALWAYS OPTIMISM OR HOW WOULD WE SURVIVE? BUT THE OTHER REASONS THAT THEY CITED WERE (1) THAT THEY HAD ENTERED THE MARKETPLACE "LEAN AND MEAN" -- FOR THIS, I SUPPOSE WE SHOULD BE GRATEFUL TO OUR BANKS (2) THAT THEY ARE SERVICE AND QUALITY ORIENTED, TWO QUALITIES HIGHLY NECESSARY IN A BATTLE FOR SURVIVAL (3) THAT THEY ARE TARGETED IN NICHES THAT HELP THEM REMAIN RECESSION-PROOF.

A FEW OTHER STATISTICS FROM THIS SURVEY

* 44% HAD GROSS SALES OVER $250,000; 18% OVER $1 MILLION
* 47% HAD MORE THAN 5 EMPLOYEES; 11% HAD PAYROLLS OVER $500,000; 6% OVER $1 MILLION
* NAWBO BUSINESSES AVERAGED 36% YEARLY GROWTH SINCE 1985
* 76% STARTED THEIR BUSINESSES WITH PERSONAL CAPITAL AND 38% DO NOT HAVE BANK CREDIT TODAY
* 37% SAID AVAILABILITY OF CAPITAL WAS THE GREATEST BARRIER TO GROWTH
* 82% PLANNED BUSINESS GROWTH THIS YEAR, AND 56% OF THEM WERE FINANCING IT THROUGH REINVESTING PROFITS.

THE RECESSION AND ACCESS TO CAPITAL ARE REAL DAY-TO-DAY THREATS TO WOMEN BUSINESS OWNERS.

I WOULD ASK YOU TO DO THREE THINGS IN TERMS OF DATA AND STATISTICS AND ONE IN THE CREDIT AREA.

PUT TEETH INTO THE LEGISLATION YOU PASSED ON DATA COLLECTION. THE COUNCIL HAS MET WITH CENSUS AND WITH THE IRS BUT THERE HAS BEEN NO FURTHER ACTIVITY THAT I KNOW. CREATE A MECHANISM TO TAKE THE PULSE OF WOMEN ENTREPRENEURS IN THE ECONOMY. THIS DOES NOT HAVE TO BE A LARGE AND EXPENSIVE EXERCISE. I, FOR INSTANCE, RECEIVE A BIMONTHLY POSTCARD FROM A FIRM IN PENNSYLVANIA THAT TRACKS A SELECTED NUMBER OF BUSINESSES TO SEE WHAT THEY ARE BUYING AND SELLING, WHAT READING INFLUENCES THEIR BUSINESS ACTIVITIES, HOW MUCH THEY ARE SPENDING ON TRAVEL, ETC. A SIMILAR, SIMPLE STATISTICALLY VALID SAMPLE COULD BE DEVELOPED. MY SUGGESTION IS TO CONTRACT WITH A PRIVATE SECTOR FIRM.

I SUGGEST THAT THE COMMITTEE BRING TOGETHER THE MAJOR PLAYERS ON DATA COLLECTION AND HOW IT EFFECTS WOMEN AND MINORITY ENTREPRENEURS. THESE ARE STATISTICS WHICH DRIVE ECONOMIC DEVELOPMENT POLICY - YET THEY ARE NOTICEABLY INCONSISTENT AND INCOMPLETE. IN A RECENT REPORT FROM THE ECONOMIC POLICY COMMITTEE ON IMPROVING THE QUALITY OF ECONOMIC STATISTICS, A NUMBER OF AREAS WERE IDENTIFIED TO IMPROVE THE STATISTICS MEASURING THIS NATION'S ECONOMIC ACTIVITY. WOMEN AND MINORITIES WERE NOT MENTIONED. GROUPS SUCH AS THE BUREAU OF LABOR STATISTICS, THE BUREAU OF ECONOMIC ANALYSIS, THE CENSUS BUREAU, THE COUNCIL OF ECONOMIC ADVISORS, AND THE FEDERAL RESERVE SHOULD BE INCLUDED.

IN THE CREDIT AREA, I WOULD SUGGEST THAT THE COMMITTEE EXPLORE ALTERNATIVES TO PROVIDE ACCESS TO CAPITAL BEYOND THE TRADITIONAL BANKING DELIVERY SYSTEM BECAUSE THIS SYSTEM IS NOT MEETING THE NEED OF ENTREPRENEURS.

I WOULD SUGGEST LOOKING AT SUCH ALTERNATIVES AS THE SMALL BANK LENDING COMPANY AUTHORITY. IF AN INSTITUTION WILL PROVIDE CAPITAL TO AN ENTREPRENEUR, IT IS IMPORTANT THEY NOT BE RESTRICTED TO OPERATE ONLY IN THE STATE THEY ARE IN. ANOTHER ALTERNATIVE IS THE CREATION OF AN ENTITY, SUCH AS THE LIBERTY FUND IN MICHIGAN, WHERE PRIVATE SECTOR DOLLARS ARE MATCHED WITH STATE FUNDS.

ANOTHER INTRIGUING STATISTIC UNCOVERED BY THE NAWBO SURVEY, MR. CHAIRMAN, IS THAT 28% OF THE WOMEN BUSINESS OWNERS POLLED WERE EITHER ACTIVELY INVOLVED IN THE INTERNATIONAL ARENA OR HAD PLANS TO BECOME INVOLVED.

ONE OF OUR OWN COUNCIL MEMBERS, ESTHER SHAPIRO, HAS RECENTLY RETURNED FROM ROME WHERE SHE FINALIZED ESTABLISHMENT OF A EUROPEAN PRODUCTION COMPANY.

A MAJOR CHALLENGE OF THE '90s WILL BE THE ABILITY TO COMPETE AGGRESSIVELY FOR WORLD MARKETS IN LIGHT OF THE

RECONSTRUCTION OPPORTUNITIES OCCURRING IN KUWAIT, EUROPE '92 RAPIDLY APPROACHING, AS WELL AS EMERGING FREE MARKET ECONOMIES IN CENTRAL EUROPE, AND FUTURE POTENTIAL IN THE SOVIET UNION.

BECAUSE OF THE VITAL IMPORTANCE OF INTERNATIONAL TRADE TO AMERICA'S ECONOMY, THE NATIONAL WOMEN'S BUSINESS COUNCIL HAS ESTABLISHED AN INTERNATIONAL TRADE SUBCOMMITTEE TO INCREASE THE PARTICIPATION OF WOMEN BUSINESS OWNERS IN THE GLOBAL MARKETPLACE. WE BELIEVE THAT SUCCESS IN THE INTERNATIONAL MARKETPLACE WILL BE DEFINED BY KNOWLEDGE, SERVICE, QUALITY, TIMELINESS, FLEXIBILITY AND CUSTOMIZED RESPONSE TO CUSTOMER NEEDS. WE FURTHER BELIEVE THAT THE SUPERIOR COMMUNICATION AND INTERCULTURAL SKILLS OF WOMEN GIVE AN ADDITIONAL ADVANTAGE TO WOMEN BUSINESS OWNERS. IN SUCH A COMPETITIVE ENVIRONMENT, SMALL BUSINESSES, BECAUSE OF THEIR SIZE AND AGILITY ARE STRATEGICALLY POSITIONED TO BECOME INCREASINGLY IMPORTANT PLAYERS IN GLOBAL MARKETS. BY MAKING INFORMATION, KNOWLEDGE AND RESOURCES AVAILABLE NOW, WE CAN LAUNCH A GOLDEN DECADE FOR AMERICA'S WOMEN ENTREPRENEURS, AND HELP THEM MAKE THE LEAP INTO THE WORLD MARKETPLACE, WHILE GENERATING ENORMOUS BENEFITS FOR THE AMERICAN ECONOMY.

WE HOPE, MR. CHAIRMAN, THAT YOU WILL AGREE WITH US THAT THERE BE A TECHNICAL AMENDMENT TO P.L. 100-533 ADDING INTERNATIONAL TRADE AS A MISSION OF THE NATIONAL WOMEN'S BUSINESS COUNCIL.

WE ALSO REQUEST THAT CONGRESSIONAL HEARINGS BE HELD REGARDING INTERNATIONAL TRADE FOR WOMEN-OWNED BUSINESSES TO ASSIST US IN

IDENTIFYING THE RESOURCES NEEDED TO FAST-TRACK WOMEN ENTREPRENEURS IN MOVING INTO THE INTERNATIONAL MARKET. THESE HEARINGS WILL ALSO HELP US CONCEPTUALIZE MODEL PROGRAMS TO LAUNCH WOMEN BUSINESS OWNERS INTO THE GLOBAL ECONOMY.

THESE MODEL PROGRAMS WOULD BE TARGETED TO FOUR SPECIFIC REGIONS OF THE WORLD: THE EUROPEAN COMMUNITY, EASTERN EUROPE (PARTICULARLY CZECHOSLOVAKIA, POLAND AND HUNGRY), LATIN AMERICA (SPECIFICALLY MEXICO AND COSTA RICA), AND SPECIFIC COUNTRIES AND INDUSTRIES IN THE PACIFIC RIM. WE ENVISION EACH REGION WOULD BE A TEST MODEL FOR 10 - 20 PARTICIPANTS, USING THE BEST POSSIBLE STRATEGIC APPROACH TO ENSURE SUCCESS. IN COORDINATION WITH THE DEPARTMENT OF COMMERCE, THE EXPORT-IMPORT BANK, THE OVERSEAS PRIVATE INVESTMENT CORPORATION, THE AGENCY FOR INTERNATIONAL DEVELOPMENT, AND THE SMALL BUSINESS AGENCY, THE PARTICIPANTS WOULD BE PROVIDED WITH THE NEGOTIATING SKILLS RELEVANT TO THE TARGETED COUNTRIES. TO ENSURE SUCCESS, TRACKING WOULD TAKE PLACE OVER A 3 - 5 YEAR PERIOD.

FURTHERMORE, WE BELIEVE THAT WOMEN-OWNED BUSINESSES DESERVE TO BE GIVEN THE OPPORTUNITY TO SHARE IN THE RECONSTRUCTION OF KUWAIT. AS YOU KNOW, WOMEN WERE SENT TO KUWAIT TO FIGHT ALONGSIDE THEIR MALE COMPATRIOTS. WE UNDERSTAND THAT AT LEAST 6% OF THE TROOPS IN THE GULF WERE WOMEN; SEVERAL OF WHOM WERE KILLED IN THE LINE OF DUTY. WE ASK THAT CONGRESS DIRECT THE U.S. CORPS OF ENGINEERS TO TARGET AT LEAST 6% OF THEIR CONTRACTS FOR WOMEN-OWNED BUSINESSES. WE ALSO ASK THAT CONGRESS COMMUNICATE TO THE GOVERNMENT OF KUWAIT

ITS ENCOURAGEMENT THAT WOMEN-OWNED BUSINESSES BE INCLUDED IN KUWAIT'S REBUILDING.

TO CELEBRATE THE ACHIEVEMENTS OF WOMEN ENTREPRENEURS OVER THE PAST TWO DECADES AND TO POSITION THEM TO ACHIEVE THEIR FULL POTENTIAL IN THE 21ST CENTURY, THE NATIONAL WOMEN'S BUSINESS COUNCIL HAS RECOMMENDED HOLDING A WOMEN'S ECONOMIC SUMMIT. THE SUMMIT, WHICH IS TENTATIVELY SCHEDULED FOR MAY OF 1993, WILL HIGHLIGHT PRESENT SUCCESSES AND BARRIERS TO GROWTH, AND DRAW A BLUEPRINT THAT WILL STRATEGICALLY SHAPE THE ECONOMIC AGENDA OF AMERICAN WOMEN IN THE NEXT TWENTY YEARS. THE SUMMIT'S FORMAT WILL BE IN THREE PARTS -- TO CAPTURE OUR HISTORY, REVIEW OUR PRESENT, AND PLAN OUR FUTURE. SOME OF ITS GOALS ARE THE DEVELOPMENT OF A NATIONAL ECONOMIC GROWTH POLICY FOR WOMEN, THE ENCOURAGEMENT OF GROWTH AND STABILITY OF WOMEN-OWNED BUSINESSES, AND TO MAKE U.S. BUSINESS MORE COMPETITIVE THROUGH THE SUCCESS OF ITS ENTREPRENEURIAL ACTIVITIES IN THE GLOBAL MARKETPLACE. IT WILL FOCUS PRIMARILY ON WOMEN ENTREPRENEURS, BUT WILL HAVE A WIDER PERSPECTIVE ON NATIONAL ECONOMIC POLICY AND WOMEN. WE WOULD HOPE TO INVOLVE MANY OTHER GOVERNMENT AGENCIES IN THIS PROJECT AS WELL AS MAJOR US CORPORATIONS FROM ACROSS THE COUNTRY. WE ALSO ENVISION THE PARTICIPATION OF ENTREPRENEURIAL WOMEN FROM COUNTRIES AROUND THE WORLD TO ADD THEIR OWN UNIQUE EXPERIENCES. IF THIS SUMMIT IS TO MOVE FORWARD IN THIS RECESSIONARY CLIMATE, CONGRESS MUST PROVIDE NOT ONLY ITS LEADERSHIP BUT FUNDING AS WELL.

I WOULD LIKE FINALLY TO TALK ABOUT COMMITMENT -- COMMITMENT TO THE GROWTH AND STABILITY OF WOMEN-OWNED BUSINESS.

YOUR EFFORTS ON OUR BEHALF HAVE BEEN NOTABLE AND DEEPLY APPRECIATED BY WOMEN BUSINESS OWNERS ACROSS THE COUNTRY. WE HAVE FEW CHAMPIONS. HOWEVER, HOW DO WE SPREAD THE KIND OF UNDERSTANDING THAT YOU HAVE OF WOMEN ENTREPRENEURS' VITAL ROLE IN THE U.S. ECONOMY TO STATE AND LOCAL GOVERNMENT OFFICIALS AND FINANCIAL INSTITUTIONS ACROSS THE COUNTRY?

LAST MONTH, 12 WOMEN'S BUSINESS ADVOCATES FROM ACROSS THE UNITED STATES MET IN PHOENIX, ARIZONA. THEY ALL REPORTED THAT COMMITMENT TO WOMEN'S BUSINESS PROGRAMS WAS MINUSCULE; THAT THEY WERE WORKING WITH LITTLE MONEY AND THAT NO STATE WAS COMMITTED TO ECONOMIC DEVELOPMENT PROGRAMS FOR WOMEN. AT EVERY CHANGE IN STATE GOVERNMENT, WOMEN BUSINESS OWNER PROGRAMS ARE IN JEOPARDY.

IN THE LAST COUPLE OF DAYS I HAVE HEARD OF INCREASING STATE AND LOCAL SUPPORT FOR THE MANAGEMENT AND TECHNICAL ASSISTANCE DEMONSTRATION PROJECTS, FUNDED UNDER THE WOMEN'S BUSINESS OWNERSHIP ACT, WHICH ARE JUST BEGINNING TO MAKE A DENT IN THE WIDESPREAD NEED FOR MANAGEMENT TRAINING AND TECHNICAL ASSISTANCE FOR WOMEN-OWNED BUSINESSES.

AS YOU MAY KNOW, THE NATIONAL FOUNDATION WAS PART OF A JOINT VENTURE WITH A MAJOR CORPORATE PLAYER, DELOITTE & TOUCH AND THREE

WOMEN-OWNED BUSINESSES. THE JOINT VENTURE DESIGNED A REPLICABLE TRAINING AND COUNSELING MODEL. IN OUR FIRST PROTOTYPE, IN MILWAUKEE, 28 NEW BUSINESSES WERE STARTED, 31 EXPANDED, AND OVER $1.25 MILLION WAS RETURNED TO THE LOCAL ECONOMY. 324 WOMEN PARTICIPATED IN THE TRAINING, WHICH INCLUDED SIGNIFICANT OUTREACH TO SOCIALLY AND ECONOMICALLY DISADVANTAGED WOMEN. IN THE SECOND YEAR THE PROGRAM WAS EXPANDED TO DETROIT, WHERE OVER 400 WOMEN HAVE ALREADY STARTED THE PROGRAM.

FOR THE THIRD YEAR, THE JOINT VENTURE PLANS TO MOVE TO SIX ADDITIONAL GEOGRAPHIES...INCLUDING YOUR HOME TOWN, MR. CHAIRMAN, ROCHESTER, NEW YORK...AS PART OF OUR DREAM TO THIS THE NATIONAL TRAINING PROGRAM FOR WOMEN ENTREPRENEURS.

THIS IS A SUCCESS STORY THAT IS BEGINNING TO BE HEARD BY STATE AND LOCAL DEVELOPMENT AGENCIES. YOU HAVE GIVEN US THE OPPORTUNITY TO INSTITUTIONALIZE A TRAINING PROGRAM AND TO SHOW THAT IT DELIVERS BOTTOM-LINE DOLLARS IN AN ECONOMY. THE FACT THAT WE HAVE A PROVEN MODEL HAS BEEN A KEY FACTOR IN GAINING SUPPORT FROM PRIVATE INDUSTRY AS WELL AS STATE AND LOCAL DEVELOPMENT AGENCIES. I URGE YOU TO CONTINUE THIS PROGRAM. ITS SUCCESS IS ALREADY A LEGACY TO YOUR FORESIGHT IN ESTABLISHING THE PROGRAM TWO YEARS AGO.

MR. CHAIRMAN, MANY OF US WORKED WITH YOU WHEN HR5050 BECAME A REALITY. WE ARE MOST APPRECIATIVE OF EVERYTHING THAT YOU AND THE COMMITTEE AND YOUR STAFFS HAVE DONE. BUT, AS YOU KNOW, LEGISLATION

IS JUST A BEGINNING -- WOMEN BUSINESS OWNERS NEED A COMMITMENT OF MINDS AND DOLLARS TO MAKE THAT LEGISLATION A REALITY. TO SECURE OUR ECONOMIC FUTURE, IT IS EVEN MORE ESSENTIAL NOW THAT GOVERNMENT AND INDUSTRY FORM A NEW AND REAL PARTNERSHIP WITH WOMEN BUSINESS OWNERS. OUT OF CRISIS, FREQUENTLY COMES CHANGE. I HOPE THAT OUT OF THIS RECESSION, WILL COME DEVELOPMENT -- THE ECONOMIC DEVELOPMENT OF WOMEN ENTREPRENEURS.

Second Annual Report to the President and Congress by The National Women's Business Council

December 1990

This Report is Submitted Pursuant to
Section 406 of the
Women's Business Ownership Act of 1988
(PL 100-533)

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1 Introduction

When Rosie the Riveter compelled women into the work force in the 1940's with her beckoning poster *AMERICA NEEDS YOU* – the American economy was changed forever.

In the last two decades, women have taken two-thirds of the new jobs in this country. By the year 2000, women will make up 47% of the labor force. Eighty-four percent of them will be employed in the service/information sector and 51% will be employed by small businesses.

Women will not only be implementing the dreams of other business owners, they will also be acting on their own enterprising dreams. In 1990, over 30% of small businesses (not including full corporations) were owned by women, and the U.S. Small Business Administration anticipates that women will own 50% of the small businesses in America in the 21st century. Rosie has become an entrepreneur. Instead of welding rivets she is building businesses. Her entrepreneurial motto, *AMERICA NEEDS YOU*, is as true today for the American economy as it was 50 years ago.

The challenge of the '90s for American companies is to compete aggressively for world markets while maintaining market position domestically. The most significant and underutilized economic resource in America today is the woman entrepreneur. In no other country have women embraced business ownership in such large numbers. The federal government and America's corporate leadership need to acknowledge this phenomenal

growth and see it as an opportunity for real economic development–an opportunity to become partners and investors in economic growth. This partnership can provide such necessary tools to women business owners, as greater access to capital for expansion and seasoned managerial partners. This investment in women-owned businesses can assist the expansion of these companies at the rate their markets demand.

International joint ventures, overseas partners and opportunities are critical to the economic vitality of American business. However, while government and industry are investing heavily with time and resources to establish these connections, they need to examine simultaneously the investment opportunities available at home for co-venturing with companies owned by American women.

Megatrends 2000[1] forecasts that one of the most important trends influencing our lives in the '90s is the "Decade of Women in Leadership; the Decade of Women in Business." The influence and impact that women had in the '80s in American corporations will be carried over in the '90s into business ownership. The interactive leadership style that restructured corporate America in the '80s will change the way business is done in America in the '90s as more women become business owners and empower their companies and employees[2]. In the '80s, management analysts and consultants agreed on the imminent need for corporations to restructure their cultures to respond rapidly to changing economic situations. Recommendations were to:

- Develop more flexible, process-oriented forms of management;
- Adopt less linear, more intuitive types of thinking;
- Be more tolerant of chaos, apparent inefficiency and the occasional inconsistencies required for innovation;
- Modify hierarchical, pyramid-like organizations into flatter structures that are interrelated in a variety of ways;
- Encourage more personal forms of communication;
- Build more empathy and concern for people, both staff and clients, into business communications.[3]

These subtle changes began to occur in American companies as American management styles were apparently influenced by our strongest competitor – Japan. Theory Z[4] – the Japanese style of management – became the new methodology, the dominant ideology of business leadership. However, the actual transformation taking place in corporate America in the '80s was that as women rose to management positions the workplace became more flexible and workers themselves displayed more intuitive thinking, empathy and personal concern. The workplace took on a different look and feel. This subtle yet transformative influence of women business leaders has been largely unrecognized and unacknowledged

by American industries. It wasn't just Theory Z that influenced the management style of corporate America; it was "Theory W,"[5] the leadership style of women. "The ways women lead"[6] offer the U.S. an unrecognized competitive advantage in the global economy. "Theory W" can transform America's businesses if government and industry are willing to co-venture with women in leadership. The American dream can become a partnership between men and women whose leadership styles shape flexible, proactive companies competent to enter markets abroad and at home competitively.

By sharing information, power and resources, women pursued their own American dream of business ownership this past decade. The newly released 1987 Census reports that women start businesses at a rate twice as fast as men.

- Women-owned business starts increased from 2,612,621 in 1982 to 4,112,787 in 1987, an increase of 58%. (This increase reflects a substantial under-count since it does not include full corporations owned by women.)
- By industry, the service sector posted the largest gain, from 1,212,940 in 1980 to 2,542,337 in 1987, an annual increase of 15.7 percent.
- Between 1982 and 1987 the fastest rate of increase occurred in transportation, communications and public utilities, which together increased by 30.3 percent.
- Gross receipts increased 183 percent from $98.3 billion to $278.1 billion.

Over the past 20 years, the woman entrepreneur has learned to succeed in an unreceptive environment by developing strategic and competitive skills and building partnerships often without formal authority or control over resources.

In 1979, a Presidential report prepared by Charlotte Taylor entitled "The Bottom Line: Unequal Enterprise in America" reported that women business owners experienced barriers to entrepreneurship in the following areas:

1. Access to commercial credit.
2. The virtual exclusion of women-owned businesses from government procurement activities.
3. The need for management and technical training to fast-track women into the marketplace.
4. The inability to develop strategic public policy because of inadequate information and data on women-owned business.

These same barriers were identified 10 years later in late 1988, when the Honorable John J. LaFalce, Chairman of the Committee on Small Business, U.S. House of Representatives, held congressional hearings exploring the economic growth and impact of women business owners and what barriers exist to their prosperity. The hearings reaffirmed that the *status quo* of the '70s had become the *status quo* of the '80s for women-owned businesses.

At the conclusion of these hearings the committee issued a report entitled "New Economic Realities, the Rise of Women Entrepreneurs," which stated:

> "At a time when America is suffering from huge budget and trade deficits - and from a chronic failure to significantly increase productivity - it is vital for public policy makers to seek means to catalyze the tremendous pool of talent and energy these women represent. These women are part of the most educated generation of women that has ever existed. They are a gold mine of human capital. No other nation, including Japan, is anywhere close to the United States in maximizing the economic and creative potential of over 50% of the population who are women. It is vitally important for our future competitiveness that public policy, in partnership with the private sector, affirm and assist this economic revolution. As part of this effort, it is essential that remaining barriers to women entrepreneurship be eliminated."

As a result of the hearings and the report, legislation was drafted and HR5050 was introduced on July 14, 1988. With strong bipartisan support and with unprecedented speed the bill was signed into law by President Reagan on October 25, 1988, a day that again said *AMERICA NEEDS YOU.* This time it wasn't Rosie the Riveter speaking, it was the President and the United States Congress.

One of the most significant recommendations of this landmark legislation (PL 100-533) was the establishment of a Congressional Advisory Council to develop a comprehensive women's business initiative. The membership of the National Women's Business Council (NWBC or the Council) is made up of key public sector leaders from the U.S. Department of Commerce, the Federal Reserve Board and the Small Business Administration. The leadership of the U.S. House of Representatives and the Senate appointed six women entrepreneurs. (See Appendix A; Biographies of NWBC Members.) The Council has accepted the charge of a Congressional Advisory Council–to develop recommendations which establish a national policy supporting women entrepreneurs. This Council is serving as the central point of communication and influence for women entrepreneurs in America, working to position them for leadership and economic partnership in fulfilling the American dream.

2 Council Mission

Duties of the Council are prescribed in Title IV of the Women's Business Ownership Act of 1988 (PL 100-53).

Section 402 of the Act states:

"The Council shall review -

1. the status of women owned business nationwide, including progress made and barriers that remain, in order to help such businesses enter the mainstream of the American economy;
2. the role of the Federal Government and state and local governments in assisting and promoting aid to, and the promotion of, women-owned businesses;
3. data collection procedures and availability of data relating to
   A. women-owned businesses;
   B. women-owned small business, and
   C. small businesses owned and controlled by socially and economically disadvantaged women; and
4. such other government initiatives as may exist relating to women-owned business including, but not limited to, those related to Federal procurement.

Based upon its review, the Council shall...recommend to the Congress and the President:

1. new private sector initiatives that would provide management and technical assistance to women-owned small businesses;
2. ways to promote greater access to public and private sector financing and procurement opportunities for such businesses; and
3. detailed multi-year plans of action, with specific goals and timetables, for both public and private sector actions needed to overcome discriminatory barriers to full participation in the economic mainstream.

To accomplish its goals, the Council may hold hearings, hear testimony, receive evidence and consider such evidence as the Council considers appropriate."

3

Evaluation of the Status of Women Business Owners

Government's role at this strategic moment is to build a strong and competitive economy which structures opportunities for women to participate fully in the free enterprise system.

The world was transformed when the Berlin Wall came down. As the leaders of American corporations venture into the European Community, Eastern Europe, the increasingly pluralistic Union of Soviet Socialist Republics, and Asia, they are supported by their Federal and state governments. Through monetary policies, financing programs, trade missions, and information services, government structures opportunity as the world changes and its economies become global.

Similarly, when the domestic world changes, governments can encourage citizens to organize change into opportunity. Today, American women own businesses that they have created with minimal assistance from the public or private sector. To compete fully in the American and global economy, women entrepreneurs need the infusion of capital, management expertise and technical assistance to invest in productivity and to enter into new markets. They need government to reduce the barriers to market access and to organize financial methods that satisfy the cash flow and capitalization requirements of entrepreneurial business operations.

Money, Markets, Management: The Three "M's" of Economic Policy

Today's Workforce: More than 53 million women age 16 and over are in the U.S. workforce today, according to U.S. Department of Labor estimates. Women account for 44% of the entire U.S. workforce and entered more than 1.5 million jobs in 1988. Of the

women that are in the labor force, 74% work full-time. Sixty-three percent of all mothers work and 55% of all married women work. Fifty-eight percent of black women work, 55% of white women work and 52% of Hispanic women work.

Money

According to the U.S. Department of Commerce's 1987 Census Report, receipts from businesses owned by women increased 183% from $98.3 billion to $278.1 billion between the years 1982-1987. Full corporations, the larger and more profitable businesses owned by women are not included in this count. More than three years have passed since that dramatic rise in receipts, and we expect the 1992 Economic Census to show a significantly greater increase. Of that $278 billion, $164 billion was generated by the 10 largest major industry groups for women-owned businesses. These industry groups are in the wholesale, retail and service sectors. Of that $164 billion, about 12 percent, or $19 billion, was generated by business service companies (SIC code 73).

Market

Skillful delivery of real goods and services into a global, yet complex regional marketplace is the basic activity required of American business to continue to feed our national economy, particularly while we are experiencing sectoral and regional depressions. American businesswomen display their greatest strengths in the marketplace. Women-owned companies are experiencing their most significant growth and are most successful in wholesaling nondurable goods ($24 billion in 1987 sales), miscellaneous and automotive retail ($42 billion), business services ($19 billion) and wholesaling durable goods ($19 billion). At the same time, manufacturing operations have become a very important segment of the women's business market (11% or $31 billion).

Management

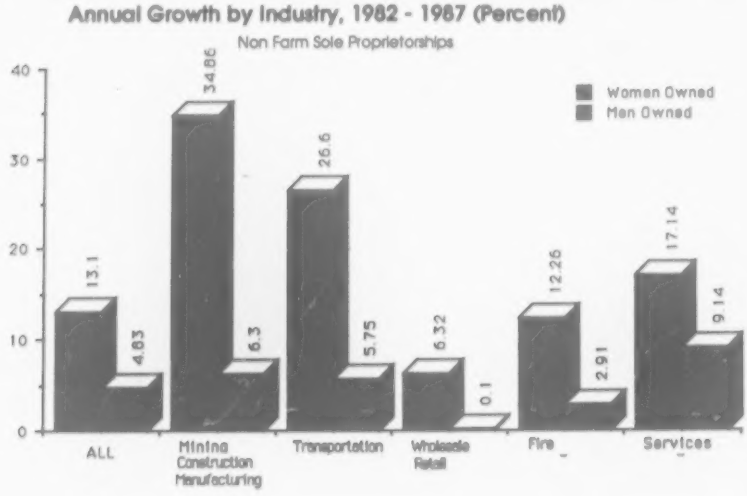
What these numbers mean is that women are managing their marketplaces with exceptional efficiency. During the 1980s, when the financial and real estate sectors drove the economy and the junk bond market leveraged paper wealth, women-owned companies were delivering practical goods and services to the marketplace. Today, as *BusinessWeek* recently reported, "The real estate collapse, the related banking problems and the very high level of debt make this a finance-led recession." *(December 4, 1990)*. At risk of looking like a house of cards lacking both foundation and structural resilience, the American economy can be rescued and revived by its entrepreneurs, specifically by women entrepreneurs.

The National Economic Status of Companies Owned by Women

Comparison of the economic sectors occupied by companies owned by women is displayed in the following charts and graphs. The numbers of firms owned by women is compared using data from 1977 and 1987 (U.S. Department of Commerce, Economic Censuses).

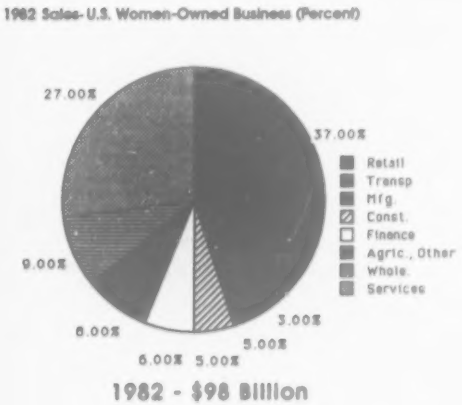
U.S. Department of Commerce, Economic Censuses

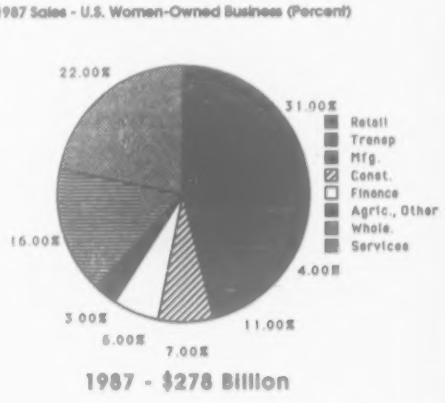
The gross sales of companies owned by women is compared for the five years, 1982-87. The women's business market is a huge economic sector, bridging all the major industries in the country.



Growth of Women-Owned Businesses

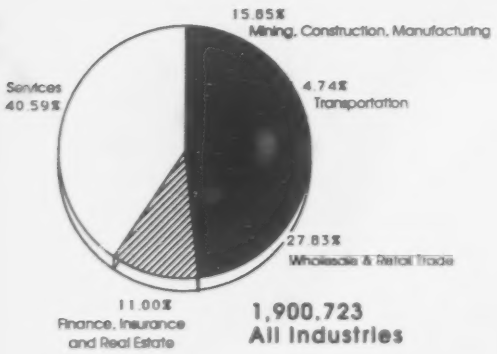
Women-owned businesses are the fastest growing segment of small business in the nation. Before 1970, women owned 5% of all U.S. businesses. Today women own over 30% of all businesses; 50% of all retail businesses; and 7% of all service companies. According to the Bureau of Census, U.S. women-owned business grew 57.5% from 1982 to 1987, from 2.612 million in 1982 to 4.614 million in 1987. Receipts grew 183% during the same time period, from $98.3 billion in 1982 to $278.1 billion in 1987.



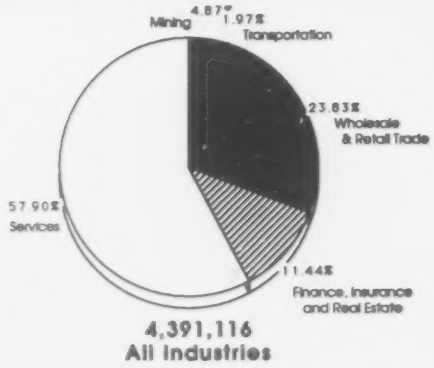


Women business owners are expanding into the "nontraditional" industries at a rate faster than they are entering the retail trades. From 1980 to 1987, the number of U.S. women-owned businesses in the construction industry increased from 58,991 in 1982 to 94,308 in 1987. The number of women-owned businesses increased from 44,909 in 1982 to 93,960 in 1987 in manufacturing; from 38,944 in 1982 to 79,768 in 1987 in transportation and utilities; and, from 32,059 in 1982 to 82,513 in 1987 in the wholesale trade.

1982-Women-Owned Business by Type (Percent)



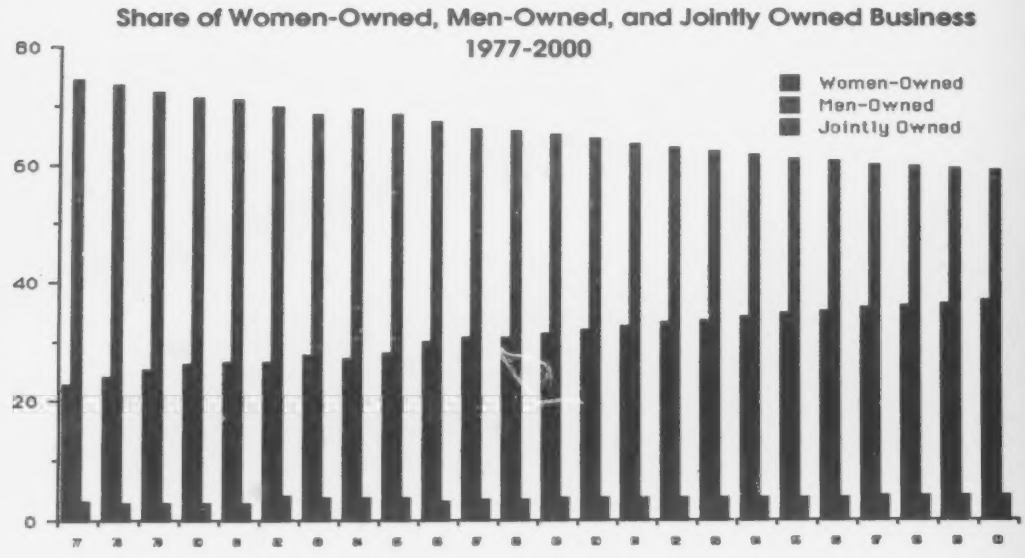
1987-Women-Owned Business by Type (Percent)

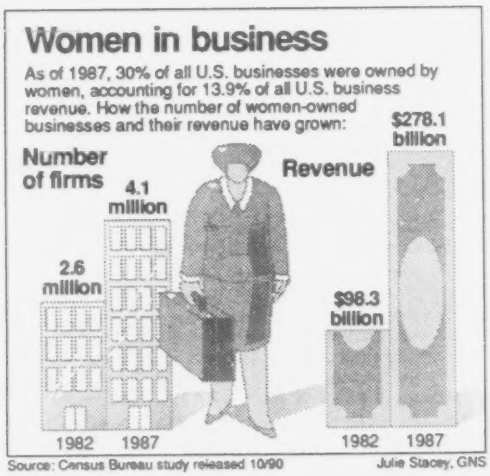


The national data characterize the woman business owner as young (89% under 45 years of age), married (71%), college educated (52%), having extensive work experience (63% with more than 5 years, 46% with more than 10 years) and little or no experience in a management position before opening her own business (55% with no experience, 20% with 5 or less years). The percentage of owners' income derived from business varies; 23% derive 100% of their income from the business, 56% derive one-half or less of their income from the business.

National data characterize the woman-owned business as new (44% acquired in the last three years, 65% in the last 6 years) and owned by the original founder (73%). The amount of starting capital required to start or acquire a business was (for 72% of women business owners) less than $5,000.

Fewer than one in four women-owned businesses failed during a five-year study conducted by the University of Oklahoma. One of the key reasons cited was the management style of women: they tend to deal better with people. The national average of business failures within the first six years is 60%.




Women in business
As of 1987, 30% of all U.S. businesses were owned by women, accounting for 13.9% of all U.S. business revenue. How the number of women-owned businesses and their revenue have grown:
Number of firms
2.6 million
4.1 million
1982
1987
Revenue
$98.3 billion
$278.1 billion
1982
1987
Source: Census Bureau study released 10/90
Julie Stacey, GNS

USA TODAY
November 1, 1990

4
Council Activities

The National Women's Business Council conducted its first public hearing on January 23, 1990. (See Appendix B, Schedule of NWBC Hearings and Activities).

As in the initial stages of starting a business, the Council used this first year to develop a strong basis for policy recommendations by conducting research. It has reviewed the status of women business owners through testimony from expert witnesses, government officials and entrepreneurs and by analyzing related surveys, reports and recommendations.

Simultaneously, the Council has been building its operational procedures, market strategy, mission and vision.

All of this effort has created a comprehensive strategic plan clearly defining the duties and responsibilities of each Council member. The goal of the strategic plan remains the formulation of a national policy promoting successful enterprise among women.

The Council's Report on its activities in 1990 reflects the strategic, analytical and creative thinking of this Congressional Advisory Council, seeking with global vision and a domestic pulse to produce the best policy in America for women entrepreneurs.

Schedule of NWBC Hearings and Activities

January 23, 1990	Washington, DC	Council Public Hearing
July 9-10, 1990	Los Angeles, Calif.	Council Public Hearing
August 28-30, 1990	Belmont, Maryland	Council Strategic Meeting Working Session
September 10-11, 1990	Chicago, Illinois	Council Public Hearing
November 14-15, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
November 28, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
December 4-5, 1990	Washington, DC	Council Meeting, one-day closed meeting and one-day open meeting

5 Work Plan

Data Collection

Saundra Herre, Chairperson

As a photograph is an exact representation of particular objects at a specific segment of time, so, too, do the current methods of data collection give a "snapshot" of the economic contributions of the woman-owned business. It is unfortunate that the "picture" shows only a portion of the total (full corporations owned or operated by women are not included in the count), and the "photo" is out of focus since the information lags from five to ten years.

GOAL: **Develop a comprehensive data collection system which accurately reflects the economic and social impact of women business owners.**

The National Women's Business Council will:

1. Make recommendations to improve the data sources about the economic and social impact of women business owners and;

2. develop legislative recommendations for filling in the data gaps that presently exist.

The data presently available on women businesses owners are from multiple sources (which use different criteria to define a woman-owned business) are outdated, and over-

look segments of the women-owned business population. The women business owner statistics frequently cited are often incorrect and on the low end with numbers whose origins are questionable (i.e., fourth generation derivations). Due to the lack of good data, it is difficult to reflect accurately the problems and needs of women business owners or to justify potential solutions. The goals of this subcommittee reflect the need for current, statistically robust information.

Data Collection 1:

Inventory current useful data sources –Federal, state and private sector and establish a central database of women-owned businesses.

What is gathered, how it is gathered and who is gathering all of the existing information related to women business owners is unclear. A report from the Council due in the **fourth quarter of 1991** includes a "sketch" or "snapshot" of the data that currently exists from the Federal and state governments and the private sector. Overall, when information is collected, it is neither complete or timely. The Council goal is to collect data on women-owned business that will show the real economic impact on the economy and the role of women entrepreneurs as present and future partners in the economy of the nation.

Several sources within the Federal government provide information on women business owners. The Census Bureau and SBA compiled a record of those agencies with an inventory to determine what set-aside programs for women business owners presently exist. Agencies to be surveyed in the inventory will include:

- **Census Bureau,** whose five-year economic survey is outdated by the time the information is compiled (e.g., Characteristics of Business Owners Report (CBO)).
- **Internal Revenue Service** (IRS), whose privacy laws may present problems.
- **Bureau of Labor Statistics,** whose Office of Women and Work may be more closely related to employee benefit, child care issues.
- **Department of Transportation,** which presently requires certification for women business owners,
- **Small Business Administration** (SBA).

The SBA is presently compiling a mailing list of the person designated in each state as the "Women's Business Advocate" or the equivalent. Information for 28 of the states is presently available. SBA is working on the missing 22 states and will provide the Council with the most updated list and append the list as the information is collected. It is likely that the list will need to be revised on a yearly basis due to changes in state personnel (particularly after elections - advocacy positions are often filled by political appointment). This task will be completed by the **first quarter of 1991.**

Work Plan

Data Collection

A joint project to be conducted by the Council and SBA, to be completed by the **third quarter o 1991,** is to query state governments about the data availability and type of gender tagging that presently exists in their states. Michigan was described as a state that seems to be the most complete in requiring information on women business owners. Although more closely related to procurement, an inventory of the set-aside programs for women business owners will take place concurrently. The information to be collected falls under the auspices of different agencies (e.g., Secretary of State, State Commerce Department). The National Governors Association will be able to furnish Secretary of State mailing labels and the Women's Business Advocate will help expedite the project. The completion date for this step is the **first quarter of 1991.**

Gathering information from the private sector will be done in two parts. The Council Committee has already mailed a letter requesting feedback from all members of Congress regarding the status of women business owners within their constituencies and from various trade associations (June 1990.) Dun and Bradstreet, McGraw Hill and the Women's Yellow Pages (a regional, non-computerized effort) are among private sector sources of additional information. The second part of the private sector data query is in the form of a formal survey. Circulation of a survey to private sector firms will be completed by the **third quarter of 1991.**

The final task for the report is analyzing the current availability of data that was gathered from the survey of Federal government agencies and private sector entities. From this analysis, plans and recommendations to fill the gaps of missing information will be made. To be completed by the **fourth quarter of 1991.**

The Council recommends the establishment of a central data base for women-owned businesses that will be current and include all segments of the women business owner population (i.e., full corporations). There is presently no consistent method for gender tagging with the existing databases. A central database will overcome that problem. One foreseeable hurdle is the issue of privacy for all entries on the database. Only Census and the IRS legislatively possess unwaivable privacy protection. This long-term goal will be completed by the **fourth quarter of 1993.**

Data Collection 2:

Include full corporation in data collection of women-owned business data.

Most of the presently existing databases miss or do not count women-owned full corporations. Although full corporations only account for a modest fraction (an estimated 15%) of all U.S. businesses, they have tremendous social and economic impact (accounting for an estimated 90% of all employment and 80% of total receipts). Because of the impact these businesses have, it is important to have a better understanding of the ownership and/or control of these businesses by women.

Data Collection

Circulating private data sources to determine the feasibility of gender tagging will be done by the Department of Commerce and SBA. Possible private sector sources include Dun and Bradstreet, and McGraw Hill. The Department of Commerce and SBA will also examine the feasibility of using established government instructions such as the Tax Check or the Quinquennial Census (this particular task is also related to Data Collection Goal 3). The feasibility of any motion or recommended action that will potentially impede state action (e.g., requiring a uniform definition of a woman business owner) is one difficulty that will need to be addressed. Both tasks are targeted for completion by the **third quarter of 1991.**

The National Women's Business Council will discuss issues, problems, and needs with a variety of organizations. This is a moderately difficult task that will require physically "...sitting down and getting their opinions and ideas." Specific organizations mentioned include the National Conference of State Legislators (NCSL), the National Governors Association (NGA), National League of Cities, and local Chambers of Commerce. The SBA Advocacy Conference held in Atlanta on December 10, 1990 was an ideal setting to begin this task. The date of completion for disseminating the information garnered from these sessions is the **third quarter of 1991.**

The Council will draft a set of recommendations regarding the options for implementing a corporate data collection. This task will be completed by the **fourth quarter of 1991.**

Data Collection 3:

Analyze the census surveys (Quinquennial Census or Economic Census and economic surveys).

The Quinquennial Census is the best existing record of women business owners. The information gathered for the Quinquennial Census and other Census Bureau surveys will be examined. One of the biggest problems with the Quinquennial Census is the turnaround time. This particular Census takes place every five years, the data is tabulated and available to the public three years after, thus the information is already out-dated. The Council will investigate the Economic Census as a means of gender tagging and obtaining more up-to-date information.

Census and SBA will recommend to the Council specific characteristics of business owners that should be included as part of the economic census. Completed by **the first quarter of 1991.** The Council will provide the Census Bureau with recommendations for changes in the next Economic Census. The short timeframe is necessary if the recommendations are to have any effect on the 1992 Economic Census. Completed by the **second quarter of 1991.**

Data Collection

Census will develop a program for the 1992 intercensal data update as part of the Characteristics of Business Owners (CBO). Conducting this project in conjunction with the President's Commission on Minority Business Development will be explored. To be completed by the **second quarter of 1991.**

Data Collection 4:

Analyze the Decennial census.

Although the Decennial census is a household count, it is the most complete set of data available in the country. Home-based businesses are an important segment of the population of businesses and among the fastest growing. With the increases in technology (e.g., computers, modems, fax machines) conducting business out of one's home opens up a whole new range of work force and business opportunities.

Census will explore and report to the Council the need or possibility of obtaining home-based business data through the Decennial Census or the Current Population Survey (CPS). The CPS is a survey that samples a number of households and is conducted at frequent intervals throughout the decade. The CPS may be a better vehicle for obtaining and gender tagging home-based businesses.

Procurement

Marilu Meyer, Chairperson

Through job creation and market expansion, it is clear that women business owners are essential to the health and economic viability of the nation. In order to see their businesses grow, women owners must constantly seek new markets and opportunities for business expansion. Government procurement is an excellent means of accomplishing this goal.

The issue of government procurement for women-owned businesses requires deep commitment and resources for the program to work. Without commitments and resources, any program for women-owned business in government procurement is doomed to fail. The Council will explore with the Minority Commission on Business Development Federal procurement issues. The Council recommends that Congress and the Executive Branch lead the way in commitments and resources for women-owned businesses in doing business with Federal, state and local government agencies.

GOAL: **Increase public and private procurement opportunities for women.**

The National Women's Business Council will explore options that increase the procurement opportunities for women business owners. Presently, mandates are not in place that effectively extend contracting goals required of primary contractors to women-owned businesses.

Procurement 1:

Document Federal procurement programs and analyze effectiveness of goaling process.

Procurement 2:

Develop legislative recommendations for increasing awards to women business owners.

Procurement 3:

Develop a monitoring and evaluation process.

Two types of awards exist within the Federal government - *procurements* and *grants*. The SBA presently sets "goals" for agency procurement budgets, a process that targets a percentage of the total awards budget to women-owned businesses. Agencies are not required to set goals for women business owners and legislation is not in place to hold agencies accountable for meeting any established goals. Seven out of the top 17 agencies presently have voluntary subcontracting goals for women business owners. The SBA does not set goals for grants but recommends that agencies follow the requirements developed for procurement. The Department of Transportation is the only agency that establishes goals that are passed to the grantees.

The difference between the two types of awards affects the subcontracting opportunities for women business owners. When awarded a contract, contractors must prepare a subcontracting plan. Grants are not subject to these conditions. To increase the subcontracting opportunities for women business owners, the Council recommends that the goaling process be extended to grantees as well.

The Council decided to first document what Federal programs are available for women business owners (to be completed by the **first quarter of 1991**). The SBA will assist by collecting this information. The Council will develop options for increasing award opportunities for women business owners by extending goals to grantees and contractors. The Council noted that some form of legislation has already been written and that developing current legislation would be a matter of locating and revising what already exists. The Council will have its version of legislative recommendations completed by the **second quarter of 1991.** A monitoring and evaluation process to determine the effectiveness of implemented legislation will be developed by the **first quarter of 1992.** The Council recommends institutionalizing the SBA goaling process either through executive order or legislation, particularly in the area of grants.

Procurement 4:

Make recommendations to improve the certification process.

The Council discussed several issues related to certification requirements. A fundamental certification problem is the absence of a widely recognized definition of what constitutes a woman-owned business.

The Council recommends that certification needs to be reviewed and options developed. An information source that will soon be available is a report on the certification of women business owners prepared by the General Accounting Office. Areas that the Council will to pay close attention to in this report are the definition of a women-owned business, self-certification and uniform certification. Completed by the **first quarter of 1992.**

Procurement 5:

Review penalty for misrepresentation and make recommendations.

The Council was also concerned about businesses falsely representing themselves as women-owned businesses. Misrepresentation may not be a significant issue presently because little preference is given to women-owned businesses. The Council recommended that the penalty for misrepresentation be reviewed. The Council expects to have this completed by the **first quarter of 1991.**

Procurement 6:

Evaluate and develop ways to improve the PASS system.

The SBA has recently made improvements on the Procurement Automated Source System (PASS). The agency made efforts to increase the number of women-owned business represented in the system. The routine inquiry used to randomly generate five businesses for the viewer includes minority and women business owners. Finally, the program now gives users the name, address, and phone number of customers that have previously used the contractor. These changes should benefit women business owners even further as PASS gradually replaces the standard vendor books currently used by organizations.

The Council is interested in finding ways to improve the user acceptability of PASS, which continues to be poor despite the improvements that have been made over the years. The Council recommended that an examination of private sector and Federal agency usage of PASS be completed by the **first quarter of 1991**. Based on this information, the Council can then develop and evaluate ways to improve the usage of PASS, to be completed by the **third quarter of 1991.**

Procurement 7:

Examine effectiveness of the new law requiring government agencies to develop a forecast of contracts for each year.

Presently, most government agencies develop forecasts of their fiscal year contracts. In order to obtain agency forecasts, a request must be made to each agency. The Council noted that there is no central organization that collects all agency forecasts and that mechanisms are not in place to ensure forecast quality. A problem with prepared forecasts is that they are agencywide and not broken down into anything smaller, such as by region. Requesting agencies to become more specific with their forecasts actually goes against the current trend of preparing more general forecasts.

The Council will determine if it is feasible to extend these forecasts to prime contractors and grantees by requiring them to prepare subcontracting forecasts for minority and women-owned businesses. Expecting this information from contractors who obtain procurement contracts may not be unreasonable as they are already subject to set-asides and goals. Requiring the recipient of a grant to prepare forecasts would be far more difficult as this involves imposing Federal restrictions on how states spend allocated funds.

Procurement

The Council decided that an examination of agency compliance with current forecast law shall be targeted for completion by the **first quarter of 1991.** The Council will determine by the **third quarter of 1991** if it is feasible to extend the forecasting process to federal contractors and grantees.

Procurement 8:

Evaluate corporate goaling process and make recommendations for improvement.

Women entrepreneurs experience similar frustrations in trying to enter corporate markets as they do with government procurement. Most corporations lack a serious commitment to do business with women-owned firms. If a goaling process is in place, there are minimal evaluation and reporting requirements.

In order to create a collaborative economic partnership of the resources of corporate America with highly productive women owned firms the Council will:

- Interview corporations that have good track records with women business owners and develop strategies and recommendations for improvements from those that are successful. Completed by the **third quarter of 1991.**

- Determine the feasibility of providing incentives and/or advantages to corporations that are doing business actively with women-owned firms. Make recommendations for implementation. Completed by the **fourth quarter of 1991.**

- Explore the potential of an executive order to encourage corporate America to open up its marketplace to women business owners and make recommendations. Completed by the **fourth quarter of 1991.**

Access to Capital

Mary Ann Campbell, CFP, Chairperson

Access to capital, particularly for small-scale loans under $300,000, is difficult to secure. Many bankers feel the amount of paperwork required, as well as the small rate of return, is not worth bank time and effort. Therefore, when capital is secured, it is subject to higher interest rates. The majority of women and minority business owners have traditionally owned service, retail and wholesale companies. These businesses are the most difficult to collateralize and capitalize because of limited hard assets.

GOAL: **Improve access to capital for women-owned businesses.**

The National Women's Business Council will:

1. investigate and evaluate existing financing options and education programs and;
2. develop recommendations for improving access to capital for women-owned businesses.

Capital 1:

Investigate, improve and increase existing information and educational programs for women business owners.

Inventory programs related to either preparing or providing information to women regarding access to capital. The Council will obtain information from Federal government entities about their programs, specifically SBA, the Federal Reserve Board, Department of Agriculture, and the President's Commission on Minority Business Development. Trade associations will also be included in the survey. The Council and the SBA will work together to develop recommendations for new and improved educational programs. Completed by the **second quarter of 1992.**

The Council will review tax incentives for small businesses recently considered by Congress. Completed by the **fourth quarter of 1991.**

Capital 2:

Evaluate existing Federal and state finance programs as they may be used to support women business owners.

The Council will obtain from SBA updates on the SBA $50,000 Small Business Loan program from the private sector and trade associations. Completed by the **first quarter of 1991.**

Access to Capital

One complaint about the SBA $50,000 Small Business Loan program is the high burden of paperwork. The program obtains all information through the use of forms. In contrast, banks solicit information through the use of interviews, which reduces the applicants paperwork burden. There is no difference between banks and the SBA program in the quantity of information collected.

The Council has evaluated the paperwork requirements and will form a committee to suggest potential improvements to the SBA. Completed by the **first quarter of 1991.**

The Council will obtain and evaluate information on the existing Federal bonding programs. Agencies included are SBA, the Department of Defense (DOD), the Environmental Protection Agency (EPA), the Department of Transportation (DoT), and the Department of Agriculture (USDA). The Council will determine if women are awarded and utilizing the new preferred surety bonding programs. Recommendations for improvements will be made accordingly. Completed by the **third quarter of 1991.**

Capital 3:

Increase representation of women in all areas of bank finance (e.g., commercial loan officers and other areas of banking administration).

The Council has been meeting with trade association executives to gain their insight into the reasons and potential solutions for the lack of women in leadership positions and commercial credit in the banking industry and other areas of finance. The Council will explore mentoring and training for women who are employed or appointed in these positions (e.g., Board of Directors of banks and other financial institutions). The Council will discuss those issues with such organizations as the State Women Business Advocates, Financial Womens International and the National Women's Economic Alliance for their insight and involvement. Completed by the **first quarter of 1992.**

Capital 4:

Identify sources of credit for international business transactions (access to capital for exporting and importing).

The Council, will request the Export-Import Bank (EX-IM), the Overseas Private Investment Corporation (OPIC), and the Agency for International Development (AID) to identify sources for international credit and risk insurance and provide information on how to access to the international subcommittee. Credit programs of foreign nations will be reviewed and evaluated. Completed by the **first quarter of 1991.**

Access to Capital

Capital 5:

Improve access to capital for women-owned business with soft asset-based companies (service, wholesale, retail).

Historically, lending is based on tangible assets. Over 85% of women-owned companies have soft assets, making financing difficult and expensive. The Council has met with the SBA and the Federal Reserve and will meet with lenders and trade associations to investigate and recommend methods, incentives and regulatory changes to improve capital market investment in this sector. Completed by the **third quarter of 1991.**

Capital 6:

Explore and expand opportunities to exploit existing capital sources.

The Council will evaluate data and analyze financing opportunities for women-owned business and make recommendations. Particular areas of emphasis are the Community Reinvestment Act and SBA 7(A) Loan Program.

The Council will determine:

- If additional credit or investment enhancements should be developed to induce the private sector to further participate with women-owned businesses.
- What programs or enhancements would create an environment to attract traditional sources of capital to women-owned business ventures.
- The value of developing guarantees to further encourage investment banks to capitalize small and women-owned businesses.

Completed by the **fourth quarter of 1991.**

Capital 7:

Explore, evaluate and expand alternative and/or innovative sources of capital for women-owned business.

The Council, SBA and the Federal Reserve will obtain information about model financing programs from women business owners, state advocates, the private sector and the SBA's long term training and counseling Demonstration Projects. Completed by the **fourth quarter of 1991.**

The Council will explore options such as Minority Small Business Enterprise Corporations (MESBICS), small business lending institutions and the development of a specific lender for women-owned businesses.

The Council will explore the use of secondary markets, utilizing *pool bond financing* concepts and make recommendations for implementation (explained in the recommendations).

The Council will serve as a clearinghouse in promoting the replication of model financing programs to other states. To be completed by the **second quarter of 1991.**

Capital 8:

Promote prompt payment by the Federal government.

The Council will review the current procurement payment procedure, evaluate for improvements and make recommendations.

Capital 9:

Establish a database of existing and newly developed sources of capital for women business owners (including geocoding).

Identify potential "host" databases and/or establish the requirement for an independent database. The cost of this task will depend either on the price of the host data base or the cost to develop from the gound up. The Small Business Development Center (SBDC) located in Athens, Georgia, is one potential database. This task will be completed by the **second quarter of 1992.**

Capital 10:

Examine the impact of tightened availability of business loans to women-owned middle-market and small businesses.

A. The Council will explore the effect of shrinking credit bases in certain quadrants of the country which adversely affect women's business development and determine if the release of certain collateral guarantees would improve credit availability for women-owned businesses.

B. Determine the impact of recently enacted federal regulations on banking institutions (FIRREA) women-owned businesses. Make recommendations for improvement by the **fourth quarter of 1991.**

Capital 11:

Monitor the access to capital environment for women business owners and update information.

The Council and the SBA will work together to develop an ongoing tracking and updating program of existing Federal, state and private lending programs for women business owners. The program will be developed by the **fourth quarter of 1992.**

Information and Public Relations

Esther Shapiro, Chairperson

The *status quo* of the '70s and '80s regarding women entrepreneurs must be transformed. The business disenfranchisement of women must cease if we are to succeed as a nation. The key to America's economic future is *productivity* and productivity equals *where the jobs are being produced*. Women entrepreneurs play a major role in the productivity that is sustaining the economy and relieving economic stress in America today and they will continue to do so. Even excluding full corporations, nearly 4.4 million women business owners today contribute over $278 billion dollars to America's economy, creating more than 6 million new jobs while the top Fortune 1000 companies lost 8 million jobs.

In order to facilitate the growth and development of women-owned companies, the Council recognizes that the business disenfranchisement and the barriers experienced by women business owners are, in great part, INFORMATIONAL and directly impact productivity, access to markets and the growth of women-owned firms.

GOAL: **Develop a public *Information Campaign* to assist in the development of small business concerns owned and controlled by women.**

Information 1:
Create a national theme which resonates with women entrepreneurs.

The Council will develop a national theme for public awareness capturing the capability, competitiveness, competency, credibility and contributions of women entrepreneurs. This campaign would communicate an effective message and affect economic, social and behavioral change. This theme would be utilized in public information efforts and in direct communications to women entrepreneurs nationally to mobilize their contributions to the national economy. To be completed by the **second quarter of 1991.**

Information 2:
Create and communicate an effective message to women entrepreneurs regarding the public and private resources available to them.

The Council believes that women entrepreneurs bring strengths to the marketplace of ideas and trade which the nation needs for productivity. However, there is an information gap between women entrepreneurs and the public and private sector resources for finance, management and marketing which this public information campaign will help close. To be completed by the **fourth quarter of 1991.**

Information and Public Relations

Information 3:

Develop a national communications network of policy and service providers.

It is critical in this rapidly changing economy that the Council has a continuous pulse on the economic heartbeat of women entrepreneurs. Communicating from a national perspective to the local level will promote a simultaneous awareness of Council activities providing and receiving information and input. The Council wishes to become the national focus for this effort without duplication of services or competition with the private sector institutions which share part or all of the Council's agenda. In order to accomplish this, the Council will create a national network with national and local service providers. The Council also needs to build coalitions to give and receive input, policy recommendation and direction. The Council recommends the following:

National

- The revitalization of the Interagency Committee on Women Business Enterprise with the selection of key high-level Federal agency officials.

State:

- Build coalitions with the National Alliance of State Women Business Advocates and other groups to share vision, mission and goals and to create a mutual partnership collaborating on national and state policy. To be completed by the **first quarter of 1991.**

Local:

- Build partnership with the awardees of SBA's Demonstration Project to articulate the management and technical assistance needs of women entrepreneurs to policy makers and to locate innovative model programs for replication. This information campaign can be coordinated within areas of the Demonstration Projects to assist in developing a marketing strategy and building the public/private partnership necessary to fund and institutionalize the projects. To be completed by the **third quarter of 1991.**

Information 4:

Develop a media strategy for each of the targeted areas: Data Collection, Access to Capital, Procurement and International Trade and The Economic Summit.

The Council will develop a media plan and prepare media placements in coordination with the Information Campaign for each of the targeted work areas highlighting the programs, policy and resources available as well as achievements and success stories.
Completed as needed.

Information 5:

Create publicity for individuals who symbolize the Council's purpose, objectives or message, thus encouraging and supporting other women in the development or use of their entrepreneurial skills.

Information and Public Relations

The role of the National Women's Business Council is to shape public policy for women entrepreneurs leading them into the year 2000. The Council reflects diversity, expertise and energy, reflective of the women entrepreneur today. Perception and credibility is the underlying issue affecting women-owned businesses today. The success of the Council depends upon what it accomplishes as well as how. Presenting the Council's work and its issues effectively will reflect the integrity and vitality of America's women business owners.

International Trade

Virginia Littlejohn, Chairperson

To accelerate the participation of women business owners in international trade, the Council is committed to identifying women business owners with the potential to do business internationally; doing sectoral analysis by industry, country and region, so as to identify prospective growth areas in international trade; disseminating information about international resources and opportunities; encouraging women business owners to participate in trade missions; and conceptualizing model programs to fast-track the participation of women business owners in the global economy.

GOAL: **Increase the participation of women business owners in international trade.**

Because of the vital importance of international trade to America's economy, the National Women's Business Council has established an International Trade Subcommittee to increase the participation of women business owners in the global marketplace. Many of the tasks for this subcommittee are integrally linked to other subcommittees.

To facilitate its efforts, the subcommittee is establishing a working group with representatives of both the private sector and government. Members will be selected during the **first quarter of 1991.** Achieving the goals delineated below will be contingent upon effectively leveraging resources in a number of Federal agencies.

International 1:

Establish a research and information-gathering agenda.

Census presently collects some data on exporting from the Department of Commerce's publication of the "Characteristics of Business Owners" (CBO) data. However, the information is not complete and is outdated by the time it is published. The Council will investigate the possibility of an exporter database that matches export-import information from Census and Customs through employer identification numbers. Commerce, Customs and other "hosts" of potential Federal databases will be explored as well. Both are targeted for completion by the **second quarter of 1991.**

In addition the Council will identify the availability of export data from other non-federal sources and complile information on the amount of gender tagging that is being done by states through income tax returns or by voluntary provision of information. Targeted for completion by the **second quarter of 1991.**

The Council will identify women-owned businesses capable of participating in international procurement, leveraging such resource organizations as the Commerce Department (DOC), SBA, the Agency for International Development (AID), the Overseas Private

Investment Corporation (OPIC) and the Export Import Bank (EX-IM). This task is related to the Procurement subcommittee and is to be completed by the **second quarter of 1991.**

The Council will meet with Federal policymakers and others (e.g., state representatives, trade associations) to gather additional information about the international trade opportunities. Targeted for completion by the **second quarter of 1991.**

International 2:

Effectively disseminate information about the international environment.

The Council will identify sources of capital for international financing such as credit, risk insurance, venture capital and joint ventures. This task is also related to the Access to Capital Subcommittee, Goal 4. Completed by the **second quarter of 1991.**

The Council will identify areas where there are set-aside programs with an international focus; and develop recommendations for overseeing and tracking them by the **third quarter of 1991.** This task is related to the Data Collection Subcommittee, Goal 1 and Procurement Subcommittee, Goal 3.

The Council will develop a strategy to begin information dissemination by the **third quarter of 1991.**

International 3:

Increase participation in trade missions.

The possibility of an all-female trade mission or one with equal female and male participation will be explored with the United States Foreign and Commercial Services (USFCS). To be completed by the **first quarter of 1991.**

The Council will survey and identify a cross-cut of the different types of trade missions from the various states, DOC, SBA, OPIC, EX-IM, etc., by the **first quarter of 1991.**

Each Council member will participate in at least one strategically selected trade mission. The trade missions will be based on types of established criteria to guarantee a broad coverage of trade missions and regions or sectors with real business growth potential. For example, each Council member could have responsibility for one of the following areas: Eastern Europe, the European Community 1992, a developing country with growth potential, the Pacific Rim, and Canada or perhaps Mexico, because of current and prospective free trade agreements. This is not a complete list and will be further refined. The targeted date for each Council member participating in a trade mission is the **third quarter of 1991.**

International Trade

International 4:

Develop recommendations related to the international women business owner agenda.

The Council will develop recommendations to enhance women-owned business participation in trade missions and track the results. The targeted date for developing recommendations is the **fourth quarter of 1991.**

International 5:

Conceptualize one or more model program to fast-track the participation of women business owners in the global economy.

The Council will conceptualize model programs (e.g., incubator, database and matchmaking, sectoral). These programs may target countries and/or sections for strategic interest. To be completed by by the **fourth quarter of 1991.**

6
Recommendations Public and Private Sector Roles

The National Women's Business Council

In order to carry out the mission of The National Women's Business Council, as empowered by Congress and the President, the Council recommends the following:

Recommendations:

- **Launch a national program to support women's business ownership under the auspices of the Council – a commitment to free enterprise and to national economic vitality by targeting resources in education, finance, procurement, data collection and international trade.**
- **Support the Council with sufficient resources to conduct an Information Campaign to coordinate interagency and congressional efforts supporting the program's objectives.**
- **Revitalize the Interagency Committee on Women's Business Enterprise with the appointment of key high-level Federal agency officials.**
- **Stagger the replacement of Council members to allow the transition of new members to always have the benefit of at least one experienced Council member.**

Recommendations: Public and Private Sector Roles

Data Collection

Saundra Herre, Chairperson

There is a critical issue regarding definition, data collection and public policy that concerns the National Women's Business Council. Unlike affirmative action programs, women's business development policy ought to be a **policy of opportunity** rather than of amends. Creating opportunity is the goal. The Federal government and industry need to understand the vital economic contribution by women business owners to the National GNP which is greater than that of any of the fifty states.

As owners, managers, investors, founders, inheritors or buyers of businesses, women display a very wide range of enterprising roles. Reliable data on women's participation in wealth-creating functions, from merchant to manufacturer, is sorely lacking as was noted in HR Report 100-736, *The Rise of Women Entrepreneurs.*

The Federal government's overriding approach must be to open up access to markets, both of customers and capital, to women entrepreneurs. Statutory definitions that are unwieldy because they are primarily designed to thwart fraud rather than to support economic risk-taking are self-defeating.

Recommendations:

The Council recommends:

- The wholesale review of America's entire data and statistical gathering process as it relates to women-owned business.
- A centralized clearinghouse for information on women-owned businesses for the purpose of facilitating market research, media access and procurement opportunities.
- The revision of the SIC (Standard Industrial Classification) codes to reflect the growing variety within the service industry and emerging technology companies. As well as revising size standards to be more realistic for services division of the SIC manual.
- A review of the definition of women-owned businesses.

Recommendations: Public and Private Sector Roles

Procurement

Marilu Meyer, Chairperson

Government programs flounder around the "question of women" because the country has not achieved consensus regarding the perception of women as second-class citizens. The rich scholarship in American universities this past decade uncovering the history and demonstrating the second class citizenship and economic position of American women has not been applied in the making of entrepreneurial policy. The definition of women's business programs is based upon the fact that women are 53% of the population and therefore a majority of the population, not a minority. However, we believe that social or economic disadvantage has to do with gender as well as race in our society, not with proportionate numbers of the total population.

For example, government policy encouraging procurement from small- and medium-sized firms, as well as disadvantaged business owners, is less useful to women seeking to enter the government market because of the complexity of becoming certified as "disadvantaged."

Recommendations:

The Council recommends:

- The simplification of all procedures related to procurement for women.
- That Congress develop initiatives which provide contract financing for minorities and women with the government contracts utilized as collateral.
- That Congress explore incentives, such as tax advantage or some other economic incentives, to ensure that government contractors include minority- and women-owned contractors.
- That legislation be drafted and/or request an executive order for increasing public and private procurement opportunities for women owned firms in 1991.

Recommendations: Public and Private Sector Roles

Access to Capital

Mary Ann Campbell, CFP, Chairperson

Women entrepreneurs today are concerned with investment in productivity, in methods of control and cost reduction, cash flow financing and financing entry into new markets.

Existing Federal finance programs do not meet the needs of many small business and frequently require extensive paperwork. The SBA's programs are targeted towards manufacturing or hard asset companies. Businesses owned and led by women occupy a variety of sectors in a variety of markets. These sectors, such as services or small business export niche markets, are unique and require programs designed to meet their specific needs.

In addition, the programs are not well-connected to state and local revolving loan programs, which have the most practical success in very small loans. The SBA Guaranteed Loan Program aids banks in retaining capital liquidity. Similar benefits need to be used for the mini-loans (secondary market).

One of the major capital problems facing the woman entrepreneur is financing a service, wholesale or retail business with little or no tangible assets. Private lenders are cautious and reluctant to lend, due to an asset-based lending philosophy requiring collateral. The impact of this lending philosophy in America today is staggering. More than half of total growth in employment comes from service industries. Small business produced approximately 55% of this growth[7]. In 1987, 51percent of all businesses owned by women were in the service sector. In an economic downturn, service industries are the first to fail due to extensive dependency on cash flow for capitalization needs. Women- and minority-owned companies are usually the first to experience cash flow problems and/or bankruptcy due to their concentration in service, wholesale and retail sectors. These companies have limited staying power in difficult economic times. Their reserves are low because they typically finance growth internally through retained earnings[8]. Because market financing is unavailable and/or too expensive, there exists an enormous demand for long-term (20-30 years), low interest loans (below prime rate), for medium- to small-sized companies owned by women. See Appendix D, State-Sponsored Loan Guarantee Programs and "No Seeds, No Trees."

Recommendations:

The Council recommends:

- That the Council and SBA will explore the potential of using any of the SBA loan programs to help collateralize loans with partial guarantees in a *Pooled Bond Financing* program. This concept pools small loans into one large bond which can be sold in the secondary market, offering the borrower long- term low-interest loans. The secondary market is an untapped resource in the the provision of low-interest, long-term loans to small businesses owned by women.

Recommendations: Public and Private Sector Roles

Access to Capital

- SBA, in collaboration with Dun & Bradstreet, will conduct a statistically reliable, national survey of up to 2 million of the top businesses owned by women to find out about their financing, marketing and management experience and needs.

- That Congress review the provisions of the Community Reinvestment Act and consider possible changes to target loans to minority and women businesses.

- New programs and incentives be developed by SBA to expand the role of lending institutions in the capitalization of women-owned businesses.

- The SBA mini-loan program should be marketed more effectively to commercial bankers, by reducing paperwork required for processing loans, providing interest rate write-downs, and developing financing options underwritten via secondary markets. The program should also be aggressively marketed to rural and residential lenders, credit unions, state economic development programs, and linked to state programs by permitting SBA guarantees of state economic development loans.

- The Council will explore the potential of Federal guarantees to state and local economic development loan portfolios for financing smaller projects (less than $300,000), working capital, and for support of revolving credit and contract loans.

- That Congress explore tax incentives to encourage bank depositors with surplus cash to lend inactive funds for investment in women-owned businesses.

- The SBA mentor program be expanded to include a nationwide network of women investors for developing new, and fortifying existing women-owned businesses.

Recommendations: Public and Private Sector Roles

Information and Public Relations

Esther Shapiro, Chairperson

'We are at a strategic moment in economic history as women lead employment and business ownership into the year 2000. It is crucial at this turning point that we recapture a sense of *shared* fortune'. This can only be accomplished by making visible the true role that women entrepreneurs are playing in America's economy today – an economy that is facing difficult challenges. Women are deeply concerned about the business issues affecting our nation and are doubly concerned about our free enterprise system, the American Dream and the economic heritage we leave our children for generations to come.

In this rapidly changing globally competitive marketplace, we no longer have the option of taking 50 years to build a strong company nor the luxury of taking 35 years to develop a CEO[5]. Government and American industries must be willing to collaborate in sustaining our economic heritage by investing their resources, capital and expertise in building our most productive base – the woman business owner.

Recommendations:

The Council recommends:

- The development of a National Information Campaign.
- Congressional support for resources and the funding necessary to carry out the National Information Campaign.
- A public policy commitment by the President and Congress that promotes and affirms the role of women as business owners, job creators and generators of wealth.
- Highlighting female role models by the media and corporate advertisers.

Recommendations: Public and Private Sector Roles

International Trade

Virginia Littlejohn, Chairperson

In the last decade, the American economy has undergone a fundamental transformation. While in the past our economy was largely driven by its domestic marketplace, especially consumer demand, in recent years our economy has become increasingly export-driven.

This fundamental transformation provides savvy, internationally-minded American entrepreneurs with the opportunity to participate in a number of growth sectors overseas at a time when domestic markets for some of their products and services may be flat or shrinking.

Entrepreneurs will need to master new information and new business skills in order to succeed in the rapidly changing global economy. Challenges include developing strategies for penetrating new markets such as the European Community; identifying barter and countertrade mechanisms for doing business with Eastern Europe, the Soviet Union and developing countries that lack appreciable hard currency; and accessing and winnowing the plethora of information about foreign markets which is disseminated through telecommunications.

Increasingly, success in the international marketplace will be defined by knowledge, service, quality, timeliness, flexibility, and customized response to customer needs. In such a competitive environment, small and mid-sized companies, because of their size and agility, are strategically positioned to become increasingly important players in global markets.

Women business owners, in particular, have enormous potential in this marketplace because the "Theory W" attributes they bring to the business arena are invaluable assets in international trade. These include: highly effective communications, diplomatic and negotiating skills; building business relationships based on respect and trust; an intuitive sense of markets based on observing and understanding people; a marked preference for win-win negotiations; heightened intercultural sensitivity; an empowering leadership style; vision; and the ability to think long range.

Members of the National Women's Business Council believe that we stand at a strategic moment in American economic history. By making information, knowledge, and resources available now, we can launch a golden decade for America's women entrepreneurs, and help them make a quantum leap into the global marketplace, while generating enormous benefits for the American economy.

Instead of Rosie the Riveter working for someone else, Rosie will own the construction company which is building the new "smart" hospital in Singapore, and the new hotel and convention center in Prague. Fellow women entrepreneurs will be selling medical imaging

products and sophisticated health care services to the hospital in Singapore, and training travel and tourism practitioners in Prague on how the hospitality industry works in the West, how to use their teleconferencing facilities for worldwide hookups, and how to start their own small businesses.

To facilitate the increased participation of women business owners in international trade, we urge the following:

Recommendation:

The Council recommends:

- Congressional hearings should be held regarding international trade for women-owned businesses. The hearings should focus on:

  - Identifying opportunity areas, including the export of services where the U.S. has a competitive edge;
  - Identifying resources to assist women entrepreneurs in moving into international markets;.
  - Developing an organized method of making women business owners aware of existing export opportunities and the resources available in the Federal government and;
  - Identifying model programs to fast-track women business owners into the global economy.

Private Sector Initiatives

Making the States Work for National Policy

A critical stimulant to economic growth for women-owned companies, and for American emerged and medium sized firms generally, is vastly improved *management training and technical assistance*. One network for delivering valuable training and ongoing assistance to the small and medium-sized businesses is the Demonstration Pilot Projects around the country.

In response to the Council's responsibility to "recommend to Congress and the President new private sector initiatives that would provide management and technical assistance to women-owned small business," the Council supports the model Demonstration Projects for women entrepreneurs under the direction of the SBA, with the following recommendations:

Recommendations:

The Council recommends to Congress that:

- The funding cycle be extended until the year 2000 at a level of at least $2 million per year.
- The funding cycle requirements for private sector match be reexamined.
- In-kind contributions be allowed.

Recommendations: Public and Private Sector Roles

Women's Economic Summit

Gillian Rudd, Chairperson

The Women's Economic Summit will celebrate the achievements of women entrepreneurs in the last two decades, highlight present successes and barriers to growth, and draw the blueprint that will strategically shape the economic agenda of American women in the next 20 years. It will provide a public information focus for Council research, activities, and recommendations.

Goals:

- Develop a national economic growth policy for women entrepreneurs.
- Create breakthrough public policy to strengthen and encourage growth of women entrepreneurs by bringing together a "think-tank" of key public and private sector experts.
- Disseminate information on existing programs and activities–public and private sector–to women-owned businesses.
- Act as a focal point for the Council's national information campaign.
- Assist U.S. women entrepreneurs to be more competitive in domestic and world markets.

Format: The Women's Economic Summit is scheduled for May 1992. The Council has planned the Summit's format in three parts– to capture our history, review our present, and plan our future.

The first section of the Summit will develop a strategy for the future growth and stability of women entrepreneurs domestically and internationally in the coming two decades. During this section of the Summit, the Council will focus on the changing U.S. economy, our position in international markets, new technologies and their impact, ways in which other countries have successfully encouraged their entrepreneurial sectors, and demographics and trends that will influence women entrepreneurs's agenda between 1992 and 2010.

A second part of the Summit will focus on the status of women-owned business in 1992. The Council will review its hearings and work in data and statistics, procurement, access to capital, and international trade to provide a snapshot of present successes and barriers to the growth of women-owned businesses and to highlight "the best and the brightest" programs and activities that the Council has found, to encourage the growth of women entrepreneurs across the nation in the public and private sectors.

Women's Economic Summit

A third section of the Summit will celebrate U.S. women's economic achievements particularly in the past 30 years, and highlight the women and men who have made major contributions to U.S. women's economic growth during this period.

Recommendations:

The Council recommends that:

- A Women's Economic Summit be held in 1992.

7 Summation

Over the past twenty years women have designed and developed a new style of business leadership. They have become the architects and archetypes of business ownership, leading and shaping entrepreneurship into the next millennium. Combining their natural collaborative management style (Theory W) with finely tuned competitive business skills women entrepreneurs have opened new markets, leveraged scarce resources and balanced accelerated change to become the most productive and educated women in history.

The time has come for women entrepreneurs to coventure with American government and industry in a partnership of resources and experience to build together a shared fortune as we secure our economic heritage. The National Women's Business Council has assumed the responsibility of leadership to achieve the goals outlined in this report. The Council will continue to work with Congress and the Administration to fulfill the intentions of the Women's Business Ownership Act (HR5050) as well as the aims and hopes expressed by the appointments of the individuals who prepared this report.

8 Appendices

Appendix A

Biographies of the National Women's Business Council Members

Appendices

Biographies of the National Women's Business Council Members

Susan S. Engeleiter

Susan S. Engeleiter was sworn in as Administrator of the U.S. Small Business Administration (SBA) on May 1, 1989, at a White House ceremony attended by President Bush. She was confirmed for this position by the U.S. Senate on April 19, 1989, becoming the first woman to hold this post.

In addition to her duties as SBA Administrator, the President designated Engeleiter in November 1989 to chair the National Women's Business Council.

Prior to joining the Small Business Administration, Engeleiter served two terms as Minority Leader of the Wisconsin State Senate, from 1984 to 1988. She was also the Assistant Minority Leader from 1982 to 1984. She was the first woman to hold a major elected leadership post in the Wisconsin legislature and the only woman to be re-elected to a major leadership post. She represented Wisconsin's 33rd District for nine years.

Before being elected to the State Senate, Engeleiter served two terms as a State Representative. She was the youngest woman in the country elected to a state legislature when she took office in 1975 at the age of 22.

In 1988, Engeleiter was the Republican candidate for the United States Senate in Wisconsin.

Her commitment to protecting the interests of small business and her effectiveness as a legislator have resulted in her receiving numerous awards, including the Guardian of Small Business Award from the National Federation of Independent Business in 1988. She was also chosen one of the 10 best Republican legislators in the nation in 1986 by the National Republican Legislators Association.

In addition to Engeleiter's achievements in government, she also maintains a high level of civic involvement. She has received numerous awards recognizing her efforts in the community, including the Women of Distinction Award from the Christoph Memorial YWCA of Waukesha County, the Distinguished Service Award from the Wisconsin Association of the Future Farmers of America, the Wisconsin Gift of Life Chairperson Award from the National Kidney Foundation, the Community Service Award from the Alliance for the Mentally Ill of Greater Milwaukee and the Girl Scouts of Wisconsin Appreciation Award presented to former Girl Scouts for outstanding achievements.

She holds a Juris Doctor degree from the University of Wisconsin Law School, and received her Bachelor of Science degree in English and Communication Arts from the University of Wisconsin.

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Biographies of the National Women's Business Council Members

Robert Adam Mosbacher

Robert A. Mosbacher's nomination by President George Bush as Secretary of Commerce was confirmed by the United States Senate on January 31, 1989, by a 100–0 vote. Mr. Mosbacher was Chief Executive Officer and Chairman of Mosbacher Energy Company until his appointment.

Secretary Mosbacher has previously held numerous directorships including Texas Commerce Bankshares, Enron Corporation, New York Life Insurance Company and American Petroleum Institute. He has chaired such organizations as the National Petroleum Council, All American Wildcatters Association, American Petroleum Landmen and Mid-Continent Oil and Gas Association.

Secretary Mosbacher's community involvement includes Trusteeships of the Texas Heart Institute, Boys Clubs of America Southwest Region, Aspen Institute for Humanistic Studies. He served twice as Chairman of the Board of Visitors of the Texas M.D. Anderson Cancer Institute. He held membership in the Washington Roundtable and was Co-Chair of Houston Roundtables's Center for Strategic and International Studies.

Secretary Mosbacher's political involvement includes National Finance Chairman for George Bush for President, National Finance Chairman for the Fund for America's Future, Chairman for Victory '88, Executive Committee for Reagan-Bush, and National Finance Chair for President Ford 1976.

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Biographies of the National Women's Business Council Members

Martha Romayne Seger

Governor Martha R. Seger was appointed to the Federal Reserve System Board by President Ronald Reagan in 1984. She is the first woman to be appointed to a full term on the Board. As the senior member of the Board of Governors of the Federal Reserve System, our nation's central bank, she is directly involved in the formulation and implementation of monetary policy. Since the Federal Reserve is responsible for overseeing all the bank holding companies in America, Governor Seger brings her extensive experience in the banking industry to the supervision and regulation of these bank holding companies.

Not only does Governor Seger serve as a member of the Board, but she also chairs the Neighborhood Reinvestment Corporation. She is the Board's contact with minority and women's banks. And, at the moment, she fills the Federal Reserve's seat on the National Women's Business Council.

Governor Seger has spent 10 years as a commercial banking executive in Michigan. In 1981 and 1982, she served in the Milliken administration as Commissioner of Financial Institutions, the top state regulatory body. She has also been an academician, teaching at the University of Michigan, Oakland University and Central Michigan University.

Governor Seger has been awarded five honorary degrees with the most recent one bestowed to her by the University of Notre Dame. She has been the recipient of the Knights of Charity Award; the Currency Award from the National Association of Women Business Owners; and the Financial Achievers Award from the National Association of Bank Women. Business Week selected her as one of the Top 100 Corporate Women in America. And, she has been named Michigan Woman of the Year.

Governor Seger is a member of Phi Kappa Phi and Beta Gamma Sigma societies. Her professional affiliations include the American Economic Association, American Finance Association, Economic Club of Detroit, the National Association of Business Economists, and the Women's Economic Club.

Born in Adrian, Michigan, Governor Seger received her undergraduate, graduate and doctorate degrees all from the University of Michigan.

Biographies of the National Women's Business Council Members

Mary Ann Campbell, CFP

Mary Ann Campbell is a certified financial planner and President of Money Magic, Inc., in Little Rock, Arkansas. *Money Magazine* named Ms. Campbell one of America's 200 best certified financial planners. Her company provides fee only consulting and employee training on a variety of subjects.

She is an experienced keynote speaker and on-air television personality. She has done extensive writing of training materials, video presentations and television productions. An experienced educator, she taught at the University level for seven years, after teaching high school and junior high. Her series on personal money management aired on statewide PBS for three hours college credit, and won two national awards.

Ms. Campbell serves on Southwestern Bell Telephone Company's Small Business Advisory Panel. She is also involved as a board member and officer of numerous organizations. She set up the state coordination office on literacy in Arkansas.

Her volunteer work includes teaching high school financial planning, and being state coordinator of David Copperfield's Project Magic which teaches magic to rehabilitation patients and summer medical camp children. She served as chair of the Arkansas Fire Protection Commission and was a member of the National Advisory Committee for the Consumer Product Safety Commission.

Acclaimed for her "magic with a message" presentations, Mary Ann has been featured in a book about women magicians, Those Beautiful Dames, by Frances Marshall of Magic, Inc. in Chicago. She appeared on the cover of the Linking Ring, an international publication of the International Brotherhood of Magicians. She is also a member of the Society of American Magicians.

Ms. Campbell has received many honors and recognitions. Among them, she won the Freedom Foundation of Valley Forge Honor Medal for Economic Education and the Bronze Award by the International Film and TV Festival of New York for her MONEY MAGIC ETV series.

Ms. Campbell chairs the Access to Capital subcommittee of the National Women's Business Council.

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Biographies of the National Women's Business Council Members

Saundra R. Herre

Saundra Herre is President of Herrewood Associates in Racine, Wisconsin. Her company provides management consulting services to small business owners and non-profit organizations in the areas of public relations and public affairs (advertising, marketing and management practices).

Ms. Herre is a founder and past President of Wisconsin Women Entrepreneurs, served as Vice President of The Independent Business Association of Wisconsin, served on the Board of Directors, National Small Business United, Executive Committee and the Board of Directors of the Economic Development Corporation – Racine County. She was on the Small Business Advisory Council of the Federal Reserve Board and co-chaired the Wisconsin Delegation to the 1986 White House Conference on Small Business. She was the first winner of the Wisconsin Women Business Owner of the Year award in 1984.

Ms. Herre has testified before the Economic Platform Committee, Republican National Convention in August 1984, the U.S. House of Representatives in 1984 and the U.S. Senate in 1980, as well as various state legislative committees.

Ms. Herre serves as an advisor to the business schools of three universities and is currently the visiting professor of entrepreneurship at Alverno College. Wisconsin Governor Tommy Thompson has named her as his special advisor of women's business issues.

Ms. Herre chairs the Data Collection subcommittee of the National Women's Business Council.

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Biographies of the National Women's Business Council Members

Virginia Littlejohn

Virginia Littlejohn is President of Global Strategies in Chevy Chase, Maryland. Her company specializes in providing training and management development in central Europe and the Soviet Union, and in helping Western firms develop long-range business opportunities in that rapidly changing region of the world.

Ms. Littlejohn has been active for many years with the National Association of Women Business Owners (NAWBO) and served as National President from 1984-85. She was a delegate to the 1980 White House Conference on Small Business and served on both the National Steering Committee and NAWBO's Steering Committee for the 1986 White House Conference on Small Business, as well as co-chairing the District of Columbia delegation. She has been a longtime member of the Small Business Council of the U.S. Chamber of Commerce and is a former Board member of the Small Business Legislative Council.

She has co-authored *Women in Washington: Advocates for Public Policy; How to Get that Appointment; Framework for the Future;* and *Small Business: Building for the Future. Framework* was featured on national ABC-TV business coverage as the most innovative and forward-looking document released at the 1986 White House Conference on Small Business, and *Small Business: Building for the Future* was the U.S. Chamber of Commerce's handbook on entrepreneurship and economic growth for the transition team, Bush Administration and 101st Congress.

Ms. Littlejohn has received numerous commendations and awards from the White House, U.S. Department of Commerce, the U.S. Small Business Administration and various business organizations. The *Washington Business Journal* picked her as one of Washington's "Top 50 Power Brokers."

Noted for her inspiring call-to-action speeches, she speaks extensively, both in the United States and abroad. She also testifies regularly before Congress and is interviewed frequently by the media.

Ms. Littlejohn chairs the International Trade subcommittee of the National Women's Business Council.

Appendices

Biographies of the National Women's Business Council Members

Marilu Bartholomew Meyer

Marilu Meyer is the President and Owner of Castle Construction Corporation in Chicago, Illinois. Her company is a General Contractor which self-performs concrete, masonry, carpentry and decorating. A Castle subsidiary, MBB Construction Group, serves the industry in the Construction Management field. Her company has performed extensive work for the City of Chicago, O'Hare Development projects, Illinois Department of Transportation and the Washington Area Transit Authority.

Ms. Meyer is a Board member of the Illinois State Chamber of Commerce; on the Legislative Committee of the Illinois Roadbuilders; on the Legislative Committee of the American Subcontractors Association; on the Legislative Committee of the National Association of Women Business Owners (NAWBO); a Charter Member and the Illinois Chapter President of Women Construction Owners and Executives; and is a Board Member of the Midwest Women's Center.

Ms. Meyer was a delegate to the 1986 White House Conference on Small Business and a delegate to the 1984 and 1985 State of Illinois Conference on Small Business.

Ms. Meyer chairs the Procurement subcommittee of the National Women's Business Council.

Appendices

Biographies of the National Women's Business Council Members

Gillian Rudd

Gillian Rudd is the President of The Rudd Company in Washington, DC. Her company is a business-to-business marketing company that focuses on marketing nationally and internationally for entrepreneurs and professional and technical service companies and works closely with venture capital companies to launch new technologies in the marketplace.

Ms. Rudd chairs The National Foundation for Women Business Owners (NFWBO). She is past president of The National Association of Women Business Owners and the U.S. Representative and International Vice President of Les Femmes Chefs D'Enterprises Mondiales, a 23-nation organization of women entrepreneurs. She is vice president of the Center for the Study of Services, which researches and publishes the results of consumer surveys in books and magazines. She is President of the Women in Business Advisory Corporation which organized three "MegaMarketplaces," nationwide procurement conferences for women business owners and which published a guide to women business owner programs nationwide.

In 1985, Ms. Rudd was appointed by the Mayor of the District of Columbia to serve as a member of the Private Industry Council. She served as a Director and Public Affairs Chair of the Professional Services Council, and was a delegate to the 1986 White House Conference on Small Business. In 1990, she was a member of Mayor-elect Sharon Pratt Dixon's Transition Team, working on economic development issues, particularly international business and tourism and entertainment.

Ms. Rudd has been named one of 50 Washington area "power brokers" in 1985 by *The Washington Business Journal*.

Ms. Rudd chairs the Economic Summit subcommittee of the National Women's Business Council.

Appendices

Biographies of the National Women's Business Council Members

Esther Shapiro

Esther Shapiro is a co-owner and president of Richard and Esther Shapiro Entertainment, Inc., a television and motion picture company. For her work, Ms. Shapiro has received a Golden Globe, a Christopher, Prix Italia: The Rai Prize, six People's Choice Awards, a Geni Award, and multiple Emmy and Writers Guild nominations. Ms. Shapiro is a former vice president (Novels for Television) for the ABC network. She is the co-creator of Dynasty.

In business, Ms. Shapiro is on the Board of American Women's Economic Development Corporation (AWED) and has been singled out for leadership by the National Women's Economic Alliance Foundation. She is a member of the Trusteeship, the Committee of 200, and on the President's Committee and the board of the Foundation of the Writer's Guild of America.

Ms. Shapiro chairs the Information and Public Relations subcommittee of the National Women's Business Council.

Appendix B

Schedule of NWBC Hearings and Activities

January 23, 1990	Washington, DC	Council Public Hearing
July 9-10, 1990	Los Angeles, Calif.	Council Public Hearing
August 28-30, 1990	Belmont, Maryland	Council Strategic Meeting Working Session
September 10-11, 1990	Chicago, Illinois	Council Public Hearing
November 14-15, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
November 28, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
December 4-5, 1990	Washington, DC	Council Meeting, one-day closed meeting and one-day open meeting

January 23, 1990
Washington, DC
Council Public Hearing
Survey of Existing Resources

The first official meeting of the NWBC was held on January 23, 1990 in Washington, DC. At this meeting, the Council began gathering expert testimony to formulate strategies and to define their agenda. Testimony was heard on a broad range of topics:

- **Data Collection Procedures and Availability of Data**
  -with presentations by the Small Budiness Administration Economic Research Office, the Bureau of the Census, and the Internal Revenue Service;
- **Procurement Opportunities for Women Business Owners**
  -with presentations by the Office of Federal Procurement Policy, Office of Small and Disadvantaged Business Utilization, National Aeronautics and Space Administration;
- **Access to Commercial Credit**
  -with presentations by the Federal Reserve Board, and the American Bankers Association;
- **Role of State and Local Governments**
  -with presentations by the Corporation for Enterprise Development and Venture Concepts.

At the conclusion of the hearings, the Council members selected five primary issue areas on which to begin their work, they were:

1. Data Collection
2. Access to Capital
3. Procurement
4. Information and Public Relations
5. International Trade

The subsequent hearing planned by the Council would focus their investigations on these five topics. Testimony from around the country would be gathered, information would be synthesized by the Council and yield recommendations for the President and the Congress.

July 9 and 10, 1990
Los Angeles, California
Public Hearing
Access to Credit, International Trade and Procurement

On July 10, 1990 the Council conducted a public hearing in Los Angeles, California. The focus was on the issues of access to credit, international trade and procurement. Excerpts from those testifying raised the following concerns:

Concerns

Data Collection

- Many people mentioned the need for better statistics related to the number of women-owned business.

Procurement

- Concerns regarding procurement were primarily related to the complexity of the process, unfamiliarity with the process, which varies from agency to agency, and the multiple certifications required to work with different agencies.
- Small and women-owned businesses do not have the financial capability to withstand an extended procurement award cycle.
- Purchasing agents and buyers are predominantly male in large corporations, and no method exists for them to be held accountable for their bias.

Access to Credit

- The savings and loan crisis may make it even more difficult for women business owners to obtain financing.
- Service businesses have intangible products and financing is difficult.
- Witnesses had widely diverse opinions about the helpfulness of The Equal Opportunity Credit Act for Women Business Owners.
- There is a lot of confusion and misunderstanding about the Women's Business Ownership Act, specifically about the small loan program. Banks and individuals are unclear about the program, and are concerned about the amount of paperwork required by the Small Business Administration.
- There is a need for consciousness-raising incentives and motivation for lending institutions to improve their record of lending to small and women-owned businesses.

International

- Language barriers, cultural differences, lack of knowledge, training and experience in international trade were mentioned as areas of concern. Also, cash flow problems were mentioned, more because of status as small business than gender based, i.e., the need to make several sales trips before getting business and the delays in receipt of payment.

Information

- The need for education for women business owners in the form of seminars, workshops and networking opportunities was identified. Particularly, education is needed in international trade and communicating with lenders. Also needed is the education of lending institutions on the new small loan program, and of buyers and procurement officers on the value of doing business with women-owned businesses.

August 28 and 29, 1990
Belmont, Maryland
Council Strategic Meeting
Working Session

On August 28 and 29, 1990 the Council held a strategic planning meeting at Belmont Conference Center. Preliminary planning began in each targeted area to define issues - tasks, goals, and potential resources. On August 28, Council members also met with the awardees of the HR 5050 demonstration projects which provides technical assistance and management training to women entrepreneurs. Awardees described the project's successes and barriers and made recommendations to the Council for improvements.

The purpose of the retreat was to:

- Give the Council members some time together to benefit from the synergisms between the members.
- Be able to share their resources and maximize their potential.
- Establish their goals, mission and vision.
- Put together subcommittees to assist with the work of the Council.
- Set their future agenda.

Facilitators were used to assist the Council in the process of developing short- and long-range strategies to accomplish the goals of the NWBC.

Among the outcomes of the meeting was the formalization of six subcommittees to concentrate on specific areas. These committees are:

1. **Data Collection** - *Saundra Herre, Chair*
2. **Access to Capital** - *Mary Ann Campbell, Chair*
3. **International Trade** - *Virginia Littlejohn, Chair*
4. **Procurement** - *Marilu Meyer, Chair*
5. **Information and Public Relations** - *Esther Shapiro, Chair*
6. **Economic Summit** - *Gillian Rudd, Chair*

September 10, 1990
Chicago, Illinois
PublicHearing

On September 10, 1990, a third public hearing was held in Chicago, Illinois. Testimony was received from individuals representing business, government and professional organizations. The focus of the hearing was on procurement, certification, international trade and access to credit.

Concerns

Procurement

- How to achieve a greater share of the federal dollar through procurement opportunities.
- More emphasis and education are needed relating to sub-contracting opportunities.
- Data on what type of contracts are let to women business owners is more important than simply how many contracts are let.
- A simplified and standardized certification process is a real need.
- The requirement for bonding before contract award can result in a loss of money if the contract is not awarded.

International

- The importance of trade missions and international trade fairs was emphasized.
- The lack of financing to sell in international markets - banks think it is too risky.

Access to Credit

- Financing is the number one need for women-owned businesses, and cash flow is a big problem.
- Financing is not only difficult in start-up for women-owned businesses, but for expansion as well.
- In the current environment, external factors make the obstacles in financing much more complex.
- Regulations imposed on banks do not allow them to be innovative.
- Home-based businesses lack credibility, making access to credit even more difficult. IRS restrictions on deductions for home offices are a deterrent.
- It is difficult to convince banks to participate in small loan programs because of lack of incentives and the enormous amount of paperwork required by the Small Business Administration.

Information and Public Relations

- There is a need for a public policy/public attitude that promotes and affirms the role of women as business owners, job creators and generators of wealth.

Miscellaneous

- Rather than creating more legislation, there is a need for fairness, and an end to discriminatory practices.

September 11, 1990
Chicago, Illinois
Council Business Meeting

On September 11, 1990 a business meeting was held in Chicago, Illinois. The major emphasis of the meeting was to review the hearing of September 10, and to review initial work plans and strategies for the subcommittees established in August.

November 14 & 15, 1990
Washington, DC
Council Subcommittee
Strategic Planning Session,
Department of Commerce

The Council met on November 14 and 15, 1990 in Washington, DC for strategic planning.

Three members of the National Women's Business Council met on November 14 and 15 at the Decision Analysis Center of the U.S. Department of Commerce in Washington, DC to examine and identify goals and establish a workplan for accomplishing them in the following subcommittee issue areas:

- Data Collection
- Procurement
- Access to Capital

Each subcommittee discussed the priority of goals to be accomplished, specific tasks required, who would undertake them, how much it would cost, when it should/could be done, and the degree of importance and difficulty in achieving each task.

The Center's sophisticated computer system prepared the information in several formats.

November 28, 1990
Washington, DC
Council Subcommittee
Strategic Planning Session,
Department of Commerce

The Council met on November 28, 1990 in Washington, DC for strategic planning.

Two members of the National Women's Business Council met on November 28 at the Decision Analysis Center of the U.S. Department of Commerce in Washington, DC to examine and identify goals and establish a workplan for accomplishing them in the following subcommittee issue areas:

- International Trade
- Economic Summit

Both subcommittees discussed the priority of goals to be accomplished, specific tasks required, who would undertake them, how much it would cost, when it should/could be done, and the degree of importance and difficulty in achieving each task.

The Center's sophisticated computer system prepared the information in several formats.

December 3-5, 1990
Washington, DC
Dinner-Council Meeting
Federal Reserve System

December 3, 1990 – Federal Reserve System

The National Women's Business Council hosted a reception followed by a dinner sponsored by *Governor Martha Seger* to introduce the National Women's Business Council to dignitaries and key officials and to present the mission and goals of the Council.

December 4 and 5, 1990 – Strategic Planning Session

The purpose of the Council meeting:

- Report and ratify subcommittee plans
- Discuss annual report
- Set agenda for FY 1991

Council members had an opportunity to observe a demonstration of the Small Business Administration's Procurement Automated Source System (PASS).

Presentations were made to the Council by:

- U.S. General Services Administration
- Resolution Trust Corporation
- U.S. Department of Commerce, United States and Foreign Commercial Services
- Overseas Private Investment Corporation
- Alternative Financial Sources, Inc.

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Appendix C

"Ways Women Lead"

The command-and-control leadership style associated with men is not the only way to succeed.

Ways Women Lead

by Judy B. Rosener

Women managers who have broken the glass ceiling in medium-sized, nontraditional organizations have proven that effective leaders don't come from one mold. They have demonstrated that using the command-and-control style of managing others, a style generally associated with men in large, traditional organizations, is not the only way to succeed.

The first female executives, because they were breaking new ground, adhered to many of the "rules of conduct" that spelled success for men. Now a second wave of women is making its way into top management, not by adopting the style and habits that have proved successful for men but by drawing on the skills and attitudes they developed from their shared experience as women. These second-

Judy B. Rosener is a faculty member at the Graduate School of Management at the University of California, Irvine and coauthor with Marilyn Loden of Workforce America (Dow Jones Irwin, forthcoming in January).

generation managerial women are drawing on what is unique to their socialization as women and creating a different path to the top. They are seeking and finding opportunities in fast-changing and growing organizations to show that they can achieve results – in a different way. They are succeeding because of – not in spite of – certain characteristics generally considered to be "feminine" and inappropriate in leaders.

> Men and women leaders make the same amount of money. But they describe their leadership differently.

The women's success shows that a nontraditional leadership style is well suited to the conditions of some work environments and can increase an organization's chances of surviving in an uncertain world. It supports the belief that there is strength in a diversity of leadership styles.

In a recent survey sponsored by the International Women's Forum, I found a number of unexpected similarities between men and women leaders along with some important differences. (For more on the study and its findings, see "The IWF Survey of Men and Women Leaders.") Among these similarities are characteristics related to money and children. I found that the men and women respondents earned the same amount of money (and the household income of the women is twice that of the men). This finding is contrary to most studies, which find a considerable wage gap between men and women, even at the executive level. I also found that just as many men as women experience work-family conflict (although when there are children at home, the women experience slightly more conflict than men).

But the similarities end when men and women describe their leadership performance and how they usually influence those with whom they work. The men are more likely than the women to describe themselves in ways that characterize what some management experts call "transactional" leadership.[1] That is, they view job performance as a series of transactions with subordinates – exchanging rewards for services rendered or punishment for inadequate performance. The men are also more likely to use power that comes from their organizational position and formal authority.

The women respondents, on the other hand, described themselves in ways that characterize "transformational" leadership – getting subordinates to transform their own self-interest into the interest of the group through concern for a broader goal. Moreover, they ascribe their power to personal characteristics like charisma, interpersonal skills, hard work, or personal contacts rather than to organizational stature.

Intrigued by these differences, I interviewed some of the women respondents who described themselves as transformational. These discussions gave me a better picture of how these women view themselves as leaders and a greater understanding of the important ways in which their leadership style differs from the traditional command-and-control style. I call their leadership style "interactive leadership" because these women actively work to make their interactions with subordinates positive for everyone involved. More specifically, the women encourage participation, share power and information, enhance other people's self-worth, and get others excited about their work. All these things reflect their belief that allowing employees to contribute and to feel powerful and important is a win-win situation – good for the employees and the organization.

Interactive Leadership

From my discussions with the women interviewees, several patterns emerged. The women leaders made frequent reference to their efforts to encourage participation and share power and information – two things that are often associated with participative management. But their self-description went beyond the usual definitions of participation. Much of what they described were attempts to enhance other people's sense of self-worth and to energize followers. In general, these leaders believe that people perform best when they feel good about themselves and their work, and they try to create situations that contribute to that feeling.

Encourage participation. Inclusion is at the core of interactive leadership. In describing nearly every aspect of management, the women interviewees made reference to trying to make people feel part of the organization. They try to instill this group identity in a variety of ways, including encouraging others to have a say in almost every aspect of work, from setting performance goals to determining strategy. To facilitate inclusion, they create mechanisms that get people to participate and they use a conversational style that sends signals inviting people to get involved.

1. Transactional and transformational leadership were first conceptualized by James MacGregor Burns in *Leadership* (New York: Harper & Row, 1978) and later developed by Bernard Bass in *Leadership and Performance Beyond Expectations* (New York: Free Press, 1985).

The IWF Survey of Men and Women Leaders

The International Women's Forum was founded in 1982 to give prominent women leaders in diverse professions around the world a way to share their knowledge with each other and with their communities and countries. The organization now has some 37 forums in North America, Europe, Asia, Latin America, and the Middle East. To help other women advance and to educate the public about the contributions women can and are making in government, business, and other fields, the IWF created the Leadership Foundation. The Foundation commissioned me to perform the study of men and women leaders on which this article is based. I conducted the study with the help of Daniel McAllister and Gregory Stephens (Ph.D. students at the Graduate School of Management at the University of California, Irvine) in the spring of 1989.

The survey consisted of an eight-page questionnaire sent to all the IWF members. Each respondent was asked to supply the name of a man in a similar organization with similar responsibilities. The men received the same questionnaire as the IWF members. The respondents were similar in age, occupation, and educational level, which suggests that the matching effort was successful. The response rate was 31%.

The respondents were asked questions about their leadership styles, their organizations, work-family issues, and personal characteristics. The following are among the more intriguing findings, some of which contradict data reported in academic journals and the popular press:

☐ The women earn the same amount of money as their male counterparts. The average yearly income for men is $136,510; for women it is $140,578. (Most other studies have shown a wage gap between men and women.)

☐ The men's household income (their own and their spouse's) is much lower than that of the women—$166,454 versus $300,892. (Only 39% of the men have full-time employed spouses, as opposed to 71% of the women.)

☐ Both men and women leaders pay their female subordinates roughly $12,000 less than their male subordinates with similar positions and titles.

☐ Women are more likely than men to use transformational leadership—motivating others by transforming their self-interest into the goals of the organization.

☐ Women are much more likely than men to use power based on charisma, work record, and contacts (personal power) as opposed to power based on organizational position, title, and the ability to reward and punish (structural power).

☐ Most men and women describe themselves as having an equal mix of traits that are considered "feminine" (being excitable, gentle, emotional, submissive, sentimental, understanding, compassionate, sensitive, dependent), "masculine" (dominant, aggressive, tough, assertive, autocratic, analytical, competitive, independent), and "gender-neutral" (adaptive, tactful, sincere, conscientious, conventional, reliable, predictable, systematic, efficient).

☐ Women who do describe themselves as predominately "feminine" or "gender-neutral" report a higher level of followership among their female subordinates than women who describe themselves as "masculine."

☐ Approximately 67% of the women respondents are married. (Other studies report that only 40% to 50% of women executives are married.)

☐ Both married men and married women experience moderate levels of conflict between work and family domains. When there are children at home, women experience only slightly higher levels of conflict than men, even though they shoulder a much greater proportion of the child care—61% of the care versus 25% for the men.

One example of the kinds of mechanisms that encourage participation is the "bridge club" that one interviewee, a group executive in charge of mergers and acquisitions at a large East Coast financial firm, created. The club is an informal gathering of people who have information she needs but over whom she has no direct control. The word *bridge* describes the effort to bring together these "members" from different functions. The word *club* captures the relaxed atmosphere.

Despite the fact that attendance at club meetings is voluntary and over and above the usual work demands, the interviewee said that those whose help she needs make the time to come. "They know their contributions are valued, and they appreciate the chance to exchange information across functional boundaries in an informal setting that's fun." She finds participation in the club more effective than memos.

Whether or not the women create special forums for people to interact, they try to make people feel included as a matter of course, often by trying to draw them into the conversation or soliciting their opinions. Frieda Caplan, founder and CEO of Frieda's

Finest a California-based marketer and distributor of unusual fruits and vegetables, described an approach she uses that is typical of the other women interviewed: "When I face a tough decision, I always ask my employees, 'What would you do if you were me?' This approach generates good ideas and introduces my employees to the complexity of management decisions."

Of course, saying that you include others doesn't mean others necessarily feel included. The women acknowledge the possibility that their efforts to draw people in may be seen as symbolic, so they try to avoid that perception by acting on the input they receive. They ask for suggestions before they reach their own conclusions, and they test – and sometimes change – particular decisions before they implement them. These women use participation to clarify their own views by thinking things through out loud and to ensure that they haven't overlooked an important consideration.

The fact that many of the interviewees described their participatory style as coming "naturally" suggests that these leaders do not consciously adopt it for its business value. Yet they realize that encouraging participation has benefits. For one thing, making it easy for people to express their ideas helps ensure that decisions reflect as much information as possible. To some of the women, this point is just common sense. Susan S. Elliott, president and founder of Systems Service Enterprises, a St. Louis computer consulting company, expressed this view: "I can't come up with a plan and then ask those who manage the accounts to give me their reactions. They're the ones who really know the accounts. They have information I don't have. Without their input I'd be operating in an ivory tower."

Participation also increases support for decisions ultimately reached and reduces the risk that ideas will be undermined by unexpected opposition. Claire Rothman, general manager of the Great Western Forum, a large sports and entertainment arena in Los Angeles, spoke about the value of open disagreement: "When I know ahead of time that someone disagrees with a decision, I can work especially closely with that person to try to get his or her support."

> Women are more likely than men to say they make people feel important, included, and energized.

Getting people involved also reduces the risk associated with having only one person handle a client, project, or investment. For Patricia M. Cloherty, senior vice president and general partner of Alan Patricof Associates, a New York venture capital firm, including people in decision making and planning gives investments longevity. If something happens to one person, others will be familiar enough with the situation to "adopt" the investment. That way, there are no orphans in the portfolio, and a knowledgeable second opinion is always available.

Like most who are familiar with participatory management, these women are aware that being inclusive also has its disadvantages. Soliciting ideas and information from others takes time, often requires giving up some control, opens the door to criticism, and exposes personal and turf conflicts. In addition, asking for ideas and information can be interpreted as not having answers.

Further, it cannot be assumed that everyone wants to participate. Some people prefer being told what to do. When Mary Jane Rynd was a partner in a Big Eight accounting firm in Arizona (she recently left to start her own company – Rynd, Carneal & Associates), she encountered such a person: "We hired this person from an out-of-state CPA firm because he was experienced and smart – and because it's always fun to hire someone away from another firm. But he was just too cynical to participate. He was suspicious of everybody. I tried everything to get him involved – including him in discussions and giving him pep talks about how we all work together. Nothing worked. He just didn't want to participate."

Like all those who responded to the survey, these women are comfortable using a variety of leadership styles. So when participation doesn't work, they act unilaterally. "I prefer participation," said Elliott, "but there are situations where time is short and I have to take the bull by the horns."

Share power and information. Soliciting input from other people suggests a flow of information from employees to the "boss." But part of making people feel included is knowing that open communication flows in two directions. These women say they willingly share power and information rather than guard it and they make apparent their reasoning behind decisions. While many leaders see information as power and power as a limited commodity to be coveted, the interviewees seem to be comfortable letting power and information change hands. As Adrienne Hall, vice chairman-of Eisaman, Johns & Laws, a large West Coast advertising firm, said: "I know territories shift, so I'm not preoccupied with turf."

One example of power and information sharing is the open strategy sessions held by Debi Coleman, vice president of information systems and technol-

ogy at Apple Computer. Rather than closeting a small group of key executives in her office to develop a strategy based on her own agenda, she holds a series of meetings over several days and allows a larger group to develop and help choose alternatives.

The interviewees believe that sharing power and information accomplishes several things. It creates loyalty by signaling to coworkers and subordinates that they are trusted and their ideas respected. It also sets an example for other people and therefore can enhance the general communication flow. And it increases the odds that leaders will hear about problems before they explode. Sharing power and information also gives employees and coworkers the wherewithal to reach conclusions, solve problems, and see the justification for decisions.

On a more pragmatic level, many employees have come to expect their bosses to be open and frank. They no longer accept being dictated to but want to be treated as individuals with minds of their own. As Elliott said, "I work with lots of people who are bright and intelligent, so I have to deal with them at an intellectual level. They're very logical, and they want to know the reasons for things. They'll buy in only if it makes sense."

In some cases, sharing information means simply being candid about work-related issues. In early 1990, when Elliott hired as employees many of the people she had been using as independent contractors, she knew the transition would be difficult for everyone. The number of employees nearly doubled overnight, and the nature of working relationships changed. "I warned everyone that we were in for some rough times and reminded them that we would be experiencing them together. I admitted that it would also be hard for me, and I made it clear that I wanted them to feel free to talk to me. I was completely candid and encouraged them to be honest with me. I lost some employees who didn't like the new relationships, but I'm convinced that being open helped me understand my employees better, and it gave them a feeling of support."

Like encouraging participation, sharing power and information has its risks. It allows for the possibility that people will reject, criticize, or otherwise challenge what the leader has to say or, more broadly, her authority. Also, employees get frustrated when leaders listen to – but ultimately reject – their ideas. Because information is a source of power, leaders who share it can be seen as naive or needing to be liked. The interviewees have experienced some of these downsides but find the positives overwhelming.

Enhance the self-worth of others. One of the by-products of sharing information and encouraging participation is that employees feel important. During the interviews, the women leaders discussed other ways they build a feeling of self-worth in coworkers and subordinates. They talked about giving others credit and praise and sending small signals of recognition. Most important, they expressed how they refrain from asserting their own superiority, which asserts the inferiority of others. All those I interviewed expressed clear aversion to behavior that sets them apart from others in the company – reserved parking places, separate dining facilities, pulling rank.

Examples of sharing and giving credit to others abound. Caplan, who has been the subject of scores of media reports hailing her innovation of labeling vegetables so consumers know what they are and how to cook them, originally got the idea from a farmer. She said that whenever someone raises the subject, she credits the farmer and downplays her role. Rothman is among the many note-writers: when someone does something out of the ordinary, she writes them a personal note to tell them she noticed. Like many of the women I interviewed, she said she also makes a point of acknowledging good work by talking about it in front of others.

> Women leaders don't covet formal authority. They have learned to lead without it.

Bolstering coworkers and subordinates is especially important in businesses and jobs that tend to be hard on a person's ego. Investment banking is one example because of the long hours, high pressures, intense competition, and inevitability that some deals will fail. One interviewee in investment banking hosts dinners for her division, gives out gag gifts as party favors, passes out M&Ms at meetings, and throws parties "to celebrate ourselves." These things, she said, balance the anxiety that permeates the environment.

Rynd compensates for the negativity inherent in preparing tax returns: "In my business we have something called a query sheet, where the person who reviews the tax return writes down everything that needs to be corrected. Criticism is built into the system. But at the end of every review, I always include a positive comment – your work paper technique looked good, I appreciate the fact that you got this done on time, or something like that. It seems trivial, but it's one way to remind people that I recognize their good work and not just their shortcomings."

Energize others. The women leaders spoke of their enthusiasm for work and how they spread their en-

thusiasm around to make work a challenge that is exhilarating and fun. The women leaders talked about it in those terms and claimed to use their enthusiasm to get others excited. As Rothman said, "There is rarely a person I can't motivate."

Enthusiasm was a dominant theme throughout the interviews. In computer consulting: "Because this business is on the forefront of technology, I'm sort of evangelistic about it, and I want other people to be as excited as I am." In venture capital: "You have to have a head of steam." In executive search: "Getting people excited is an important way to influence those you have no control over." Or in managing sports arenas: "My enthusiasm gets others excited. I infuse them with energy and make them see that even boring jobs contribute to the fun of working in a celebrity business."

Enthusiasm can sometimes be misunderstood. In conservative professions like investment banking, such an upbeat leadership style can be interpreted as cheerleading and can undermine credibility. In many cases, the women said they won and preserved their credibility by achieving results that could be measured easily. One of the women acknowledged that her colleagues don't understand or like her leadership style and have called it cheerleading. "But," she added, "in this business you get credibility from what you produce, and they love the profits I generate." While energy and enthusiasm can inspire some, it doesn't work for everyone. Even Rothman conceded, "Not everyone has a flame that can be lit."

Paths of Least Resistance

Many of the women I interviewed said the behaviors and beliefs that underlie their leadership style come naturally to them. I attribute this to two things: their socialization and the career paths they have chosen. Although socialization patterns and career paths are changing, the average age of the men and women who responded to the survey is 51 – old enough to have had experiences that differed *because* of gender.

Until the 1960s, men and women received different signals about what was expected of them. To summarize a subject that many experts have explored in depth, women have been expected to be wives, mothers, community volunteers, teachers, and nurses. In all these roles, they are supposed to be cooperative, supportive, understanding, gentle, and to provide service to others. They are to derive satisfaction and a sense of self-esteem from helping others, including their spouses. While men have had to appear to be competitive, strong, tough, decisive, and in control, women have been allowed to be cooperative, emotional, supportive, and vulnerable. This may explain why women today are more likely than men to be interactive leaders.

Men and women have also had different career opportunities. Women were not expected to have careers, or at least not the same kinds of careers as men, so they either pursued different jobs or were simply denied opportunities men had. Women's career tracks have usually not included long series of organizational positions with formal authority and control of resources. Many women had their first work experiences outside the home as volunteers. While some of the challenges they faced as managers in volunteer organizations are the same as those in any business, in many ways, leading volunteers is different because of the absence of concrete rewards like pay and promotion.

As women entered the business world, they tended to find themselves in positions consistent with the roles they played at home: in staff positions rather than in line positions, supporting the work of others, and in functions like communications or human resources where they had relatively small budgets and few people reporting directly to them.

The fact that most women have lacked formal authority over others and control over resources means that by default they have had to find other ways to accomplish their work. As it turns out, the behaviors that were natural and/or socially acceptable for them have been highly successful in at least some managerial settings.

What came easily to women turned out to be a survival tactic. Although leaders often begin their careers doing what comes naturally and what fits within the constraints of the job, they also develop their skills and styles over time. The women's use of interactive leadership has its roots in socialization, and the women interviewees firmly believe that it benefits their organizations. Through the course of their careers, they have gained conviction that their style is effective. In fact, for some, it was their own success that caused them to formulate their philosophies about what motivates people, how to make good decisions, and what it takes to maximize business performance.

They now have formal authority and control over vast resources, but still they see sharing power and information as an asset rather than a liability. They believe that although pay and promotion are necessary tools of management, what people really want is to feel that they are contributing to a higher purpose and that they have the opportunity as individuals to learn and grow. The women believe that employees

and peers perform better when they feel they are part of an organization and can share in its success. Allowing them to get involved and to work to their potential is a way of maximizing their contributions and using human resources most efficiently.

Another Kind of Diversity

The IWF survey shows that a nontraditional leadership style can be effective in organizations that accept it. This lesson comes especially hard to those who think of the corporate world as a game of survival of the fittest, where the fittest is always the strongest, toughest, most decisive, and powerful. Such a workplace seems to favor leaders who control people by controlling resources, and by controlling people, gain control of more resources. Asking for information and sharing decision-making power can be seen as serious disadvantages, but what is a disadvantage under one set of circumstances is an advantage under another. The "best" leadership style depends on the organizational context.

Only one of the women interviewees is in a traditional, large-scale company. More typically, the women's organizations are medium-sized and tend to have experienced fast growth and fast change. They demand performance and/or have a high proportion of professional workers. These organizations seem to create opportunities for women and are hospitable to those who use a nontraditional management style.

The degree of growth or change in an organization is an important factor in creating opportunities for women. When change is rampant, everything is up for grabs, and crises are frequent. Crises are generally not desirable, but they do create opportunities for people to prove themselves. Many of the women interviewees said they got their first break because their organizations were in turmoil.

Fast-changing environments also play havoc with tradition. Coming up through the ranks and being part of an established network is no longer important. What is important is how you perform. Also, managers in such environments are open to new solutions, new structures, and new ways of leading.

The fact that many of the women respondents are in organizations that have clear performance standards suggests that they have gained credibility and legitimacy by achieving results. In investment banking, venture capital, accounting, and executive placement, for instance, individual performance is easy to measure.

A high proportion of young professional workers – increasingly typical of organizations – is also a factor in some women's success. Young, educated professionals impose special requirements on their organizations. They demand to participate and contribute. In some cases, they have knowledge or talents their bosses don't have. If they are good performers, they have many employment options. It is easy to imagine that these professionals will respond to leaders who are inclusive and open, who enhance the self-worth of others, and who create a fun work environment. Interactive leaders are likely to win the cooperation needed to achieve their goals.

Interactive leadership has proved to be effective, perhaps even advantageous, in organizations in which the women I interviewed have succeeded. As the work force increasingly demands participation and the economic environment increasingly requires rapid change, interactive leadership may emerge as the management style of choice for many organizations. For interactive leadership to take root more broadly, however, organizations must be willing to question the notion that the traditional command-and-control leadership style that has brought success in earlier decades is the only way to get results. This may be hard in some organizations, especially those with long histories of male-oriented, command-and-control leadership. Changing these organizations will not be easy. The fact that women are more likely than men to be interactive leaders raises the risk that these companies will perceive interactive leadership as "feminine" and automatically resist it.

Linking interactive leadership directly to being female is a mistake. We know that women are capable of making their way through corporations by adhering to the traditional corporate model and that they can wield power in ways similar to men. Indeed, some women may prefer that style. We also know from the survey findings that some men use the transformational leadership style.

Large, established organizations should expand their definition of effective leadership. If they were to do that, several things might happen, including the disappearance of the glass ceiling and the creation of a wider path for all sorts of executives – men and women – to attain positions of leadership. Widening the path will free potential leaders to lead in ways that play to their individual strengths. Then the newly recognized interactive leadership style can be valued and rewarded as highly as the command-and-control style has been for decades. By valuing a diversity of leadership styles, organizations will find the strength and flexibility to survive in a highly competitive, increasingly diverse economic environment.

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Appendix D

State-Sponsored Loan Guarantee Programs

STATE-SPONSORED LOAN ~~GUARANTEE~~ PROGRAMS--FROM NASDA DIRECTORY

State	Program	Guidelines: Below Mkt. Rates	Guidelines: Mfg[1] Only	Guidelines: Small Bus. Only	Volume[2]: No.	Volume[2]: Amount	Volume[2]: Year
CA	E.D. Loan Program	Y	N	N	12	$ 3,600,000	84-85
	Sudden Economic Dislocation	Y	N	N	6	1,800,000	84-85
	Innovation Development Loans	Y	N	N	4	900,000	84-85
CN	Various Programs	-	-	-	11	800,000	84-85
FL	Community Development Support	Y	Y	Y			
HI	Capital Loan Program	Y	Y	Y	15	1,800,000	85
	Invention Development Loans	Y	N	N	0		
IL	Fixed-rate Financing	?	N	Y	?	2,600,000	?
	IDFA Direct Loans	Y	Y	N	17	1,500,000	84
IN	Indiana Development Fund	Y	Y	N	15	2,750,000	84-95 AVG
KY	Development Finance Authority	Y	Y	N	42	8,100,000	85
LA	Minority Business Dev. Authority	?	?	?	6	240,000	81-95 AVG
MD	Small Business Development Finance	N	N	N	19	1,970,000	85
MI	Strategic Fund	Y[3]	Y	N			
MN	Minnesota Fund	Y	Y	N	11	14,000,000	85
MO	Industry Development Board	Y	Y	N	?	500,000	85
MT	Linked Deposit Program	Y	N	N	3	700,000	86
NV	Revolving Loans	N	N	N	4	300,000	86
NJ	Economic Development Authority	Y	N	N	25	5,000,000	85
NY	Rural Development Loans	Y	N	N			
OH	Economic Development Financing	Y	N	N	45	32,000,000	81-85 AVG
	Linked Deposit	Y	N	N	236	133,000,000	85
OK	Ind. Finance Authority	?	Y	N	7	1,700,000	84
OR	Port Revolving Fund	Y	Y	N	7	1,700,000	77-85 AVG

STATE-SPONSORED LOAN GUARANTEE PROGRAMS--FROM NASDA DIRECTORY

State	Program	Volume		
		No.	Amount	Year
CA	Small Business Loan Guarantee	260	11,400,000	84-85
CT	Mortgage Insurance Program	4	3,400,000	84-85
IN	Economic Development Commission Loan Guarantee			
LA	Minority Business Development Authority	12	900,000	81-85
MD	Conventional Loan Insurance	13	3,700,000	85
MI	Strategic Fund - Loan Loss Reserve			
MS	Small Business Guaranty Loan Program			
NE	Small Business Loan Guarantee	40	600,000	83 Avg
MO	Industrial Development Board	?	300,000	85 Avg
MT	Economic Development Board	0	0	84-86
NH	Industrial Development Authority	0	0	
NJ	IDB Guarantees	14	9,600,000	85
VT	Industrial Development Authority Guarantees	0	0	85
VA	IDB Working Capital Guarantee	?		

State	Program	Guidelines: Below Mkt. Rates	Guidelines: Mfg[1] Only	Guidelines: Small Bus. Only	Volume[2]: No.	Volume[2]: Amount	Volume[2]: Year
	Business Development Fund	Y	Y	N	10	000,000	82-85 AVG
PA	Industrial Development Authority	Y	Y	N	99	39,800,000	85
	Minority Business Dev. Authority	Y	N	N	28	2,400,000	85
	Capital Loan Fund	Y	Y	N	78	3,800,000	85
RI	Business Development Fund	Y[3]	Y	N			
	Small Business Revolving	Y	Y	Y			
SC	Jobs & Economic Development	Y	Y	Y	37?		
TX	Rural Loan Fund	Y	Y	Y	17?		
VT	Industrial Development Authority	Y	Y	N	32	2,700,000	85
	Vt Job Start	Y	N	Y	20?	100,000	85
WV	Economic Development Authority	?	Y	N	38	30,600,000	85

[1] Manufacturing and related businesses, including programs designating a variety of types of businesses along with manufacturing.

[2] Approximate volume as reported in NASDA directory. AVG indicates average loan volume for programs reporting multi-year totals. Total for most recent year may be higher than shown because of tendency of programs to grow with experience.

[3] Below market rates offered in certain instances.

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Appendix E

A Profile of Seed Capital Funds

and

"No Seeds, No Trees"

SPECIAL REPORT

No Seeds, No Trees: A Profile of Seed Capital Funds

by Michael Greene

Increasing evidence suggests that the present system of seed capital financing does not work adequately in poorer communities or for those technology and job creating ventures that do not offer the 20–40 percent rate of return needed to elicit financing from venture capitalists. Consequently, many potentially viable enterprises are never formed and additonal avenues of job creation and income are foreclosed, particularly for those communities most in need. It is in this context that an increasing number of states, localities, and organizations are considering the start-up of new seed capital institutions. Drawing on the experience of existing institutions can play an important role in this process.

We define seed capital as the small sums of money invested at the early stage of product or process development which enables the recipient to prove a concept, prepare business plans, undertake market studies, and otherwise develop their product or service. Seed capital does not require immediate repayment and may take the form of equity, royalty arrangements, patiently-structured debt, or other similar investment vehicles.

Seed capital investments can be viewed as falling into three different categories—small (under $50,000), medium ($50,000–$500,000), and large ($500,000 +). Within the small category is a distinct class of enterprises which generally require less than $10,000 to enter the germination process. Microbusinesses (less than 5 employees) often fall into this class.

Three major sources of customary initial financing for new ventures are:

1. *Personal Savings, Family, Friends, and Associates:* Evidence indicates that the vast majority of initial financing is provided by personal savings and local sources. These sources account for anywhere between 60 to 80 percent of initial financing for new ventures.
2. *Informal Risk Capital Investors:* Similar to the family, friends, and associates network, informal risk capital investors are primarily local individuals who use their wealth for seed and start-up capital investing. This risk capital market is characterized by a lack of financial intermediaries and, as a result, these "business angels" tend to be fairly inconspicuous. Angels usually provide risk capital in the medium range, with the average investment being approximately $50,000.
3. *Venture Capitalists:* Albert Shapero of Ohio State University estimates that less than five hundred firms a year actually receive start-up funding from the venture capital community, only one-third of whose investments go to start-ups. Furthermore, approximately two-thirds of venture capital investments go to technology related ventures, and over 70 percent are concentrated in the states of California, New York, and Massachusetts. Venture capital investments average in the $500,000 + range.

Several problems give rise to the existence of a seed capital gap. Among these problems are:

- *Inequitable Distribution of Wealth:* Clearly, low-income communities are at a relative disadvantage in tapping the network of family, friends, and associates for capitalizing new ventures.
- *Unorganized and Informal Risk Capital Markets:* The informality of the "business angel" market makes it difficult for investors to identify investment opportunities. Consequently, this pool of risk capital may be underutilized and potential matches between individual investors and entrepreneurs may never occur.
- *Lack of Risk Pooling Mechanisms:* Supplying seed capital is a very risky undertaking. Risk pooling—that is, spreading the risks and gains of investing over a larger number of investors—can reduce some of the risks inherent in seed financing. Currently, the absence of risk pooling hampers the flow of seed monies.
- *Excessive Transaction and Information Costs:* Transfers of capital consumes both time and professional resources. Transaction costs are often fixed, that is, they do not change with the dollar size of the transaction. The result is a bias against the smaller deals which make up seed and start-up

investing. Information costs are also higher since a portfolio of many small investments requires more information and greater access to potential investment candidates.

These four problems suggest some actions that policymakers can take to increase the flow of capital to new ventures:

- *Establish Seed Capital Institutions:* Policymakers should explore the option of directly establishing seed capital institutions. Initially, monies should be provided in small amounts, focusing on the $1,000–$10,000 range.
- *Explore the Use of Tax Incentives to Increase the Availability of Risk Capital:* One approach is to allow investors who supply seed and start-up capital to certain enterprises or in certain communities to utilize "investment expensing" and take a tax deduction equal to the amount of their investments. States can also explore the granting of personal income tax credits for investments in small and new enterprises and reducing the state tax on capital gains resulting from investments in new ventures.
- *Establish Business Assistance Networks to Reduce Information Costs:* One method of reducing transaction and information costs is for policymakers to take advantage of economies of scale by establishing Business Assistance Networks, designed to gather and distribute information on new and small enterprises. States could also provide small amounts of monies to existing organizations that demonstrate the capability of effectively performing this function.
- *Increase the Visibility of Business Angels:* The unorganized nature of this market effectively "hides" these investors from potential entrepreneurs. Policymakers can increase the visibility of these angels by developing a brokering mechanism to identify them and match them with entrepreneurs. Establishing a computerized data base containing profiles of informal investors and prospective entrepreneurs could serve as the starting point for identifying potential matches.
- *Explore the Use of A Public Royalty Fund to Finance New Products:* Policymakers should consider replicating Connecticut's success in providing medium sized risk capital to existing firms to develop new products. Grants could be provided in exchange for royalties on sales, thereby establishing a "patient" and self-liquidating form of financing.

The following seven profiles, excerpted from our full report, yield several important guideposts for policymakers interested in establishing seed capital institutions. Among these are:

- *Identification of Sources of Capitalization:* Possible capitalization sources include pension funds, contributions from private individuals and foundations, legislative appropriations and bond sales.
- *Establishment of Investment Terms:* "Patient" capital can be provided in a variety of ways. While equity is the most patient of capital, debt financing can be structured in such a way that it assumes a patient character.
- *Establishment of Monitoring Mechanisms:* The importance of establishing mechanisms to effectively monitor seed and start-up investments is clearly demonstrated by these profiles. The actual mechanism employed range from sitting on the Board of the financed enterprise to becoming actively involved in its daily operations.

CATEGORY I: HIGH TECH ENTERPRISES AND PRODUCT DEVELOPMENT

Connecticut Product Development Corporation (CPDC)

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Purpose: The Connecticut Product Development Corporation (CPDC) was created in 1973 by the state legislature to stimulate the development of new products and thereby create new jobs. The State Bond Commission was initially authorized to issue up to $10 million in

general obligation bonds to operate the corporation.

Terms: CPDC provides risk capital. In most cases, CPDC will provide 60 percent of the product's development costs and the company is responsible for the remainder. When a product is successfully developed and marketed, CPDC receives a return on its investment in the form of a royalty on product sales. The typical terms include a 5 percent royalty on sales of the sponsored product. Since the royalty is tied to sales, this form of financing is self-liquidating. Since its first project in 1975, CPDC has funded 60 projects, totaling $11.8 million.

Eligibility: Qualifying firms must be Connecticut-based and unable to secure conventional financing. Typically, assisted firms have annual sales below $50 million and most firms are in the range of $500,000 to $3,000,000.

Structure: Operations are directed by a Board of Directors and a three person professional staff. Entrepreneurs must submit a business plan. If the CPDC staff views the project favorably, it is recommended to the Board of Directors for approval. The Board consists of seven members appointed by the Governor. In evaluating proposals, emphasis is placed on the company's financial health, its management, and on the business plan for the new product. CPDC relies on outside consulting help in technical and financial areas in its evaluation.

Monitoring: Because CPDC provides risk capital, the entire investment can be lost if the product is never commercially sold. In order to monitor its investments, an agreement is drawn up that provides for periodic visits by the CPDC staff. In addition, audits are required to insure that funds are being utilized in accordance with agreed upon terms.

Track Record: During fiscal year 1983, CPDC's return on investment—royalty income as a percentage of total taxpayers investment—reached 19.2%, up from the 15.3% obtained in the previous year. As CPDC reaches maturity in a few years, the staff anticipates that the return on investment will be in the range of 20–25%. CPDC investments during 1983 are believed to have created approximately 500 full time jobs. Between 1975 and 1983, CPDC funded 51 projects. Of these projects, a total of seven were abandoned. The net costs of these abandoned projects amounted to $162,000 or about 3% of the total funds committed during this period.

Outreach: The program is publicized through printed literature, selective mailings, and participation in seminars.

Seed Capital Fund Grant Program

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Purpose: The Seed Capital Fund Grant Program will make investments in start-up companies needing financing for product and process development, production and/or marketing. The investment is intended to fill the gap between self-financing and formal venture capital financing. Capitalization of the fund is a result of Pennsylvania's recently passed $190 million industrial development bond-financed economic development program. $3 million has been set aside for the seed program, and $17 million will be used to establish business incubators. The program is designed to establish initially four seed capital funds, with each receiving $750,000 in state funds. At the time of investment, a minimum match of $3 of private to $1 of state funds must be accomplished.

Terms: Investments in any single firm will be less than $250,000 in any one round of financing and, ordinarily, will not exceed $500,000 in total. Prior involvement of other formal ventures capital funds should ordinarily have been less than $250,000 over the life of the firm. Priority in reviewing investment opportunities will be given to tenants of small business incubator facilities. As currently structured, the fund will be able to make both debt and equity investments.

Eligibility: Eligible businesses must have 50 or fewer employees and be independently owned and operated. Eligible enterprises include manufacturing firms, firms involved in international export-related services or mercantile ventures, and advanced technology and computer-related ventures which will increase the Commonwealth's share of domestic or international markets.

Structure: The fund will be administered by

the Ben Franklin Partnership. The Board of the Partnership will make grants to Ben Franklin Partnership Advanced Technology Centers (ATCs) or other organizations submitting an approved application to establish a privately-capitalized, regional seed capital fund. Expenditure is contingent upon application approval and certification that sufficient private capital has been raised to meet the matching requirement. It is expected that the fund will have a minimum life of seven years. Any earnings or returns from the seed capital grant monies received by an ATC shall accrue to the appropriate seed capital fund for additional investments.

Monitoring: Applicants who receive monies must submit an annual report to the Ben Franklin Partnership Board on January 15 of each year. The report will include data on the number of investments made, an update on private investment commitments to the fund, and, for each investment, information as to business location, size of the investment, type of industry, the number of jobs created, and a report on the firm's progress. In addition, the Board will semi-annually monitor the portfolio of the seed capital funds to assure that the program intent and the terms of the approved application are being fulfilled.

Track Record: Too early to evaluate. Details of the program are still being discussed. The Ben Franklin Partnership intends to establish the first regional seed capital fund early in 1985.

Outreach: The program is publicized through printed literature and selective mailings.

Minnesota Seed Capital, Inc.

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Purpose: Started in 1980, Minnesota Seed Capital, Inc. invests in the start-up of new enterprises. It is a limited partnership between 10 Minnesota based corporations, 15 business individuals and several pension funds, who provided an initial capitalization of $5 million. The limited partnership is currently trying to raise an additional $10 million from the private sector.

Terms: Minnesota Seed Capital emphasizes equity financing. In cases where debt financing is extended, it is usually convertible. The average size of the investment is $300,000.

Eligibility: An eligible enterprise must be technology-oriented, based in Minnesota, and in the early state of development.

Structure: Minnesota Seed Capital's investment activities are directed by a staff of two venture analysts and a Board of Directors. A three stage process is employed to assess potential investment opportunities. First, the entrepreneur must submit a business plan that is reviewed by the venture analyst. Second, a meeting is arranged between the analysts and those entrepreneurs that the staff deems promising. Third, the analysts perform a detailed analysis of the most promising ventures and make a determination as to whether to extend financing. Proposals are then passed on to the Board for final approval.

Monitoring: In order to monitor their investments, Minnesota Seed Capital will usually have a representative sit on the board of the financed enterprise. Additionally, periodic reports detailing financial status and progress are required. The staff emphasizes that they are not "passive investors" and are willing to become involved in assuring the success of financed enterprises.

Track Record: Since 1981, Minnesota Seed Capital has invested in eight enterprises totaling $3 million. The staff estimates that these investments have resulted in the creation of 450 jobs. One of the enterprises has gone public. As of yet, there have been no failures or defaults. A minimum 35 percent rate of return on equity transactions is expected.

Outreach: The extensive contacts that the limited partners have within the private sector enables the program to be publicized through word-of-mouth. Additionally, the staff participates in seminars and other forums to publicize the program.

CATEGORY II: COMMUNITY, WORKER-OWNED AND MICRO-BUSINESSES

Small Business Finance and Employment Training Project

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Purpose: Organized in 1977, Coastal Enterprises' major project is the Small Business Finance and Employment Training Project. The *Small Business Finance and Employment Training Project* aims to fill the "capital gap" confronting small enterprises in the Maine economy; encourage the establishment of locally-owned enterprises; and ensure that disadvantaged groups benefit from the job creation process. The current capital pool is approximately $2.5 million, with funds coming from such sources as Union Mutual Life Insurance, the Ford Foundation, and various churches.

Terms: Twelve businesses have received funding through the project, with most loans falling into the $25,000 to $300,000 range. Debt financing is subordinated, fixed rate, slightly below market, and repayable in five years. The project is willing to consider and make equity investments.

Eligibility: An eligible small business must feature: local ownership, wages that meet current industry averages, fringe benefits for employees, value-added products, and growth potential. The typical enterprise financed is either a small manufacturer or a small fishery processor. Eligible employers must be willing to sign an Employment Training Agreement, developed with the aid of a CEI staff person, that specifies the responsibilities of all parties in relation to training. The Agreement is incorporated into the closing documents that accompany CEI's loans.

Structure: The project is operated by an eight person staff and a small board of directors. The staff is responsible for reviewing and analyzing all business proposals and forwarding a recommendation to the Investment Committee of the Board. A second analysis of the proposal is performed by the Investment Committee and submitted to the full board for final action. If the staff decides not to recommend an investment, it can direct the firm to other possible sources of funds.

Monitoring: In order to monitor the progress of the enterprise, the staff may decide to sit on the enterprise's board. In addition, the enterprise is required to submit periodic reports containing basic information on its status. In some instances, Coastal Enterprises is willing to provide technical assistance to the enterprises. As a quid pro quo for financing, an enterprise may be required to retain the services of a consultant.

Track Record: According to CEI, there have been no loan defaults. During the next five years, it is anticipated that 437 jobs will be created. CEI expects one-third of all jobs to be made accessible to disadvantaged persons.

Outreach: The program is publicized through newsletters, brochures, targeted mailings, presentations to business groups, and workshops. A business plan must be submitted for staff review.

Vermont Job Start

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Purpose: Vermont Job Start is a state-funded economic development venture aimed at very small owner-operated enterprises (micro-businesses). The program is targeted to low-income entrepreneurs who are not eligible for conventional sources of credit. Started in

1970, initial capitalization resulted from state appropriations of $477,000.

Terms: The maximum loan available is $5,000 with the average being around $3,200. Job Start does not make equity investments, but is willing to assume a subordinate debt position to encourage outside participation. Approximately 40–50 loans per year are made. Currently 120 loans are active and the present interest rate is 8.5 percent.

Eligibility: Eligible applicants must be Vermont residents, at least 18 years of age, and have a household income between $12,000 and $16,000. Additionally, applicants must not have access to traditional sources of credit.

Structure: The actual operation of the Job Start Program is centralized in the State Economic Opportunity Office (SEOO). Loan applications are reviewed and screened by the Job Start specialist. The specialist is responsible for doing the appropriate research on prospective enterprises and forwarding the best proposals to the Regional Advisory Board. The Regional Board votes on whether to fund the project and returns the proposals to SEOO for final approval. The screening and final decision-making at the state level is performed by a single staff person. While limited in his/her ability to provide technical assistance, the Job Start specialist will refer prospective borrowers to agencies providing counseling and technical assistance. Of the actual number of proposals referred to the Regional Agency Board, approximately 60–65% are approved. A State Advisory Board provides advice to the Job Start Program on eligibility criteria, interest rates, and broader policy questions.

Monitoring: In order to monitor the progress of an enterprise, Job Start requires periodic reports on the status of the venture.

Track Record: According to staff estimates, from November 1978 to January 1983, Job Start loans resulted in the creation or retention of 263.5 jobs. 85 percent of existing loans are current or fewer than 60 days delinquent. Since 1978, the program has loaned $950,000, with a loss rate of approximately 6 percent of loan funds.

Outreach: The program is publicized through selected mailings, community contacts, and various publications.

CATEGORY III: WOMEN AND MINORITY-OWNED BUSINESSES

Women's Economic Development Corporation

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Purpose: Incorporated in October 1983, the Women's Economic Development Corporation (WEDCO) assists women in achieving economic self-sufficiency through self-employment and the creation of small businesses. The First Bank Minneapolis Foundation, First Bank of Saint Paul Foundation and First Bank System Foundation have made a three year financial commitment to grant WEDCO $100,000 annually—$50,000 for its operating budget and $50,000 for its loan pool. WEDCO recently received a $150,000 grant from the McKnight Foundation. First Bank has agreed to establish a working relationship with WEDCO clients. In anticipation of possible bank financing, WEDCO assists women entrepreneurs to develop well documented business plans. WEDCO's own Loan Fund officially began operating in November 1984, with the first loan being made in December 1984.

Terms: WEDCO's Loan Fund has been designed to provide "last-resort" financing for women owned businesses it considers reasonable risks but which cannot obtain loans through traditional channels. Loans and loan guarantees made by the fund are designed partly to help the business develop a credit history. The loans will be lower than market-rate and directed toward women who are turned down by a financial institution for lack of collateral or equity.

Eligibility: Eligible applicants must be WEDCO clients, turned down by conventional sources of finance, and have no access to alternative sources of funding. The loan program will focus on the target population of unemployed or underemployed women. The maximum on most loans will be $10,000 and the majority are expected to be much smaller.

Structure: WEDCO staff assists prospective women entrepreneurs with completion of business plans plus a two year cash flow projection. Staff recommendations for loans are forwarded to a 7 person loan panel. The panel is composed of 2 individuals from WEDCO's Board of Directors. The remaining five members represent banks, financial institutions, and women entrepreneurs.

Monitoring: WEDCO plays an active role in monitoring its investments. Entrepreneurs must agree to both quarterly statements and meetings. In addition, a contract must be signed stipulating that WEDCO has the right to be involved in the ongoing management of the enterprise.

Track Record: During the first year of operation, WEDCO worked with 565 women, providing services ranging from referral to other agencies to full scale technical assistance with business plans and loan packaging. It helped 20 women's businesses obtain bank loans that otherwise would have been considered too high a risk, either because there was no collateral or because the loan amount was too small.

Outreach: The program is publicized through newspaper articles, staff activities, and literature printed by First Bank.

Community Initiatives Consortium

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Purpose: Started in 1981, the *Community Initiatives Consortium* (CIC) is a group of nine twin cities life and health insurance companies, whose major goals are to provide financing to minority and female-owned firms and to extend credit to small businesses turned down by conventional sources. Capitalization is based on annual contributions from the participating insurance companies. The actual size of the contribution depends on the insurance company's size.

Terms: Most loans fall into the $100,000 to $150,000 range. The terms of the loans are flexible and often involve below market interest rates, with repayment extending up to ten years. In some cases, CIC is willing to provide subordinated debt. The consortium is willing to consider equity financing, with the exact details being dependent upon the status of the enterprise.

Eligibility: Eligibility criteria for CIC loans include an expectation that borrowing businesses have exhausted other sources of capital. While not an absolute requirement, the CIC specifically hopes to help minority-owned businesses, or businesses run by handicapped people or women. Enterprises must have the potential to result in job creation or retention and borrowers must have been rejected by conventional sources.

Structure: CIC is currently administered by the consulting firm of Tom Watson and Associates. The three person staff of Watson and Associates does a preliminary review of submitted business plans and forwards them to the Investment Committee of CIC. The Investment Committee performs a thorough analysis and determines whether a project should be financed. Should the business need it, CIC will arrange for technical assistance.

Monitoring: In order to monitor its investments, CIC requires periodic reports detailing financial status and progress.

Track Record: In the past three years, CIC has made 28 loans totaling more than $3.5 million. Since 1983, it is estimated that these loans have resulted in 400–500 jobs being created or retained. The consortium has helped to finance restaurants, manufacturers, cleaning businesses, construction companies, a bindery, a pharmacy, a dentist and a bakery. Two out of the 28 ventures have failed, yielding a current failure rate of 7.1 percent. Another venture also appears ready to fail. In dollars, the failures have resulted in a loss of $150,000—4 percent of $3.5 million invested.

Outreach: To publicize the program, CIC communicates with local community development corporations, banks, and the chamber of commerce. ■

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To: The Committee on Small Business
The Honorable John LaFalce, Chairman

Date: April 17, 1991

The 1990 Census reported that women-owned firms increased 57.5 percent from 2,612,621 in 1982 to 4,114,787 in 1987. Receipts increased 183 percent from $98.3 billion to $278.1 billion. And while individual proprietorships increased 28 percent, the number of women-owned sole proprietorships almost doubled (55.8 percent). In 1987 the majority of women-owned firms were concentrated in the service industries. These industries accounted for 55.1 percent of all women-owned firms but only 22 percent of gross receipts. The next largest concentration of women-owned firms was in retail trade with 19.4 percent of the firms and 30.7 percent of the receipts. Women are engaged in wholesale trade (non-durable goods); miscellaneous retail; automotive dealers and service stations; business services; wholesale trade (durable goods); food stores; eating and drinking places; real estate; personal services and health services.

Women-owned firms with paid employees accounted for 15 percent of the total number of firms and 80.5 percent of gross receipts.

New Jersey ranks eight of the states with 100,000 or more women-owned firms. This is a significant achievement for women given the lack of money and/credit made available to them.

While women are starting ventures in increasing numbers, unlike their male counterpart, they are not experiencing as staggering a failure rate. Data continues to report the failure of approximately 85 percent of all new companies within the first three years of start-up. Current information from the NJ Department of Commerce & Economic Development suggests that women are successful because of **sheer will power**.

These statistics would not be so staggering were it not for the fact that New Jersey increasingly depends on small business. Approximately 49% of the Gross National Product is generated by small businesses, representing approximately 94% of the covered establishments with fewer than one hundred employees. Almost half of this number have fewer than four employees.

Money and **credit** are the primary issues of women starting a new venture. It is often the last thing needed to open their doors. **There is nothing out there.** Women, therefore, borrow from family and friends, cash in insurance policies, do whatever it takes to boot strap their business.

Women face unique challenges and difficulties in not only starting, but maintaining a small business. Women are locked in a struggle for power over their own lives according to

Judy Mann, columnist for the Washington Post. She says that women have only themselves to blame if they don't participate in the movement to restructure society to position women as full partners with men.

The "superwomen" complex continues to perplex women. The popular press has not provided significant insight to issues that still plague women in small business. The textbook approach to time management for the busy women does not address the reality that women, unlike their male counterparts, cannot as a rule turn their household responsibilities over to a "house husband". And while economists predict that by the year 2000, women will make up approximately 63 percent of the work force, they continue to earn only 60 cents on every dollar a man earns for identical jobs.

Research now demonstrates directly the unconscious biases and stereotypes that work against women and minorities in the work place. Alison Bass summarized the work of Florence Geis, in an article appearing in the Winter 1990-91 issue of The Bureaucrat by stating that no matter how smart or well-prepared women may be, they may not be able to overcome social stereotypes. "The bottomline is that we all respond as we believe society expects us. Our society still affirms that white men are expected to be competent, intelligent, rationale -- and in charge, and we continue to approve of their actions, while disapproving those of women", wrote Geis.

What do New Jersey women face? Problems of equal pay for equal work. Challenges in securing adequate day care. Confrontation when sick days must be used to care for sick children or parents. Tremendous demands on their time, often faced with the need to choose between family and career, and increasingly unable to do so. Women are told to unclutter their lives; keep "to do" lists; establish priorities; give up being the perfectionist; and use every practical device know to man to help her do the impossible. As a result, we all suffer.

Women also face overwhelming problems when it comes to establishing credit, securing a loan, especially when coupled with the challenges of owning and operating a small business.

Women are learning to use the "network"; to ask questions; to verify information. They are becoming increasing less vulnerable to pressures of "playing the game" and are establishing themselves as competent, credible players. They are becoming expert at penetrating the "glass ceiling" by circumventing the barriers. But all this has a cost. The most pressing reality has been the impact on the family. Ultimately, this will become an economic reality on the taxpayers as we attempt to shore up the deficiencies of home and family.

Are women short changed? Indeed! Are women more aware? Absolutely. Do women have more distance to cover? Unfortunately, yes. And the reasons as cited in the literature are ingrained, in men as well as women. But this nation, and in particular this state, requires that we acknowledge women's efforts, and continue to offer incentives and support to the female entrepreneur.

Recommendations could include the duplication of the Women's Self Employment Project (Chicago) and The Good Faith Fund, a loan program of the Southern Development Bancorporation in Arkansas. The strength of such programs rests with the interaction of the lender and the borrowing group. Training programs available nationwide through the Small Business Development Centers can be viable partners to sound working capital loan programs. More women need to be aware of the business career option of women business ownership. Finally, we need to begin to collect valid and reliable data on the female entrepreneur, for only then can be deliberately set above a positive course of action.

Respectfully submitted,

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